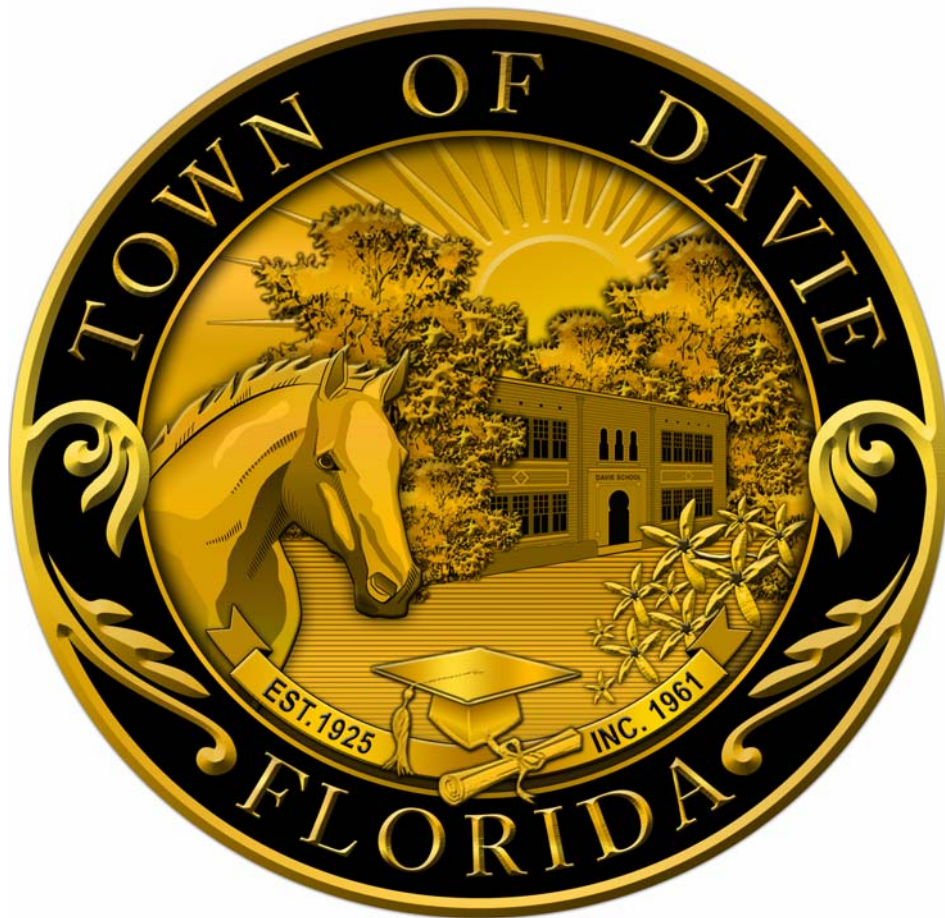


COMPREHENSIVE ANNUAL FINANCIAL REPORT



FISCAL YEAR ENDED
SEPTEMBER 30, 2004

TOWN OF DAVIE, FLORIDA

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INTRODUCTORY SECTION

July 8, 2005

The Honorable Members of the Town Council, and Citizens of the Town of Davie, Florida:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2004. We encourage you to thoroughly read this document and take the opportunity to discuss some of the important items it addresses.

While financial activities are never ends unto themselves, their recording and presentation can give the encouraged and knowing reader great insight into the operations of a community. They can highlight both strengths and weaknesses and can illustrate the issues that are, at any time, being addressed by the local government. This marks our sixth year of presenting the CAFR in the new "GASB 34" format. We believe this format better informs readers of government financial statements and more accurately reflects the financial condition and the results of operations for an entity.

This report complies with the Governmental Accounting Standards Board Statement 34, Basic Financial Statements — and Management's Discussion and Analysis — For State and Local Governments. The new GASB rules allow a delayed implementation of the accounting for infrastructure assets.

The Town continues to be in good fiscal health, but we are concerned that our rate of revenue may not be able to keep up with our rate of growth in spending. It will be a continual challenge to maintain a strong financial well being, while providing for a balanced budget. Our best hope is for growth of our tax base.

This community has spent tens of millions of dollars improving the rustic flavor of the Town. Our municipal boundaries are now largely defined, save for an enclave of 5,000 people that may soon be annexed into the Town. This will mean that we will have to turn to other avenues of growth and look to rebirth in our older portions of the Town to provide enhancements to the tax base. During the year, the Town Council was faced with many difficult choices of either maintaining the Town's bucolic image or enhancing its tax base through land use amendments or rezonings. These are always difficult questions, and the Council has had to make difficult choices.

The Town has become an attractive location for light industrial operations. We are pleased that companies such as the pharmaceutical company Andrx has located, and expanded, in Davie. Our eastern side of the Town is undergoing exciting redevelopment, across all land uses. These changes didn't and don't happen overnight. Years of planning and development preceded these efforts, which only now are displaying tangible proof of the effort spent by the Town.

Davie is growing. A recent release of information by the Census Bureau indicates that we have a great diversity in over 81,845 residents throughout the Town. This is a growth rate of over 60% during the last decade. Build out projections have the Town's population estimated to be in the low to mid-90's by the year 2010.

This growth has been accompanied by a tremendous effort to provide for land preservation in the Town. Davie implemented the State's first open space program and has acquired a considerable amount of land and developed connecting trails to its parks and open space areas. Horseback riding, bicycling, and hiking have all become favorite Davie pastimes. Land preservation efforts in Davie by the County and the State have yielded extraordinary benefits that complement the Town's efforts.

This financial report summarizes our current financial condition. It helps us to understand where we can go and what we can do in the future. Planning is the most important tool available to us and the Town's planning effort includes its finances as well. Our ability to tax is limited. The opportunities provided to municipalities under Florida law are limited, so we must work within the framework we are provided. For Davie to succeed, we must build value in what we have. Redevelopment on the east side will take years to fully implement, but we can already see the value of redevelopment to the tax base as underutilized lands become more valuable. This area is on the edge of substantial redevelopment growth. This is the kind of value we must continually add to the Town, in order to keep our taxes stable and deter and avoid tax increases in the future.

Davie is fortunate to have a significant university presence. Home to Nova Southeastern University (NSU), we are proud of the tremendous expansion that has been undertaken on their campus. The Miami Dolphins training camp, NSU medical school, law school, school of dentistry, research library, and the Wayne Huizenga Graduate School of Business have brought new interest to the lands surrounding the campus. Other college and university campus facilities are also underway or planned by the University of Florida, Florida Atlantic University, Florida International University, and Broward Community College. It is estimated that 40,000 students and faculty a day visit all of these facilities. We have been fortunate to be able to maintain a steady taxing effort for the majority of the last decade.

We know the Town could use additional land uses that encourage office/commercial or light industrial development. The long-term financial benefit to the Town has been demonstrated.

Significant Events and Achievements

The Town's tax base grew by over \$549 million, representing an increase of almost 12% from the previous year. It is unlikely that the Town can maintain this level of growth and we are starting to see signs of slowing in the construction of new properties.

The Water and Sewer system did increase its customer connections during the year. However, water and sewer operating revenues did not keep pace with increases in water and sewer operating expenses. The Town will have to be very careful to continue to control the expenses on the system in order to meet its debt service coverage ratio requirements.

GENERAL INFORMATION

The Town of Davie was one of the first communities in Broward County, Florida. While part of the larger Fort Lauderdale/Hollywood metropolitan area, the Town has maintained much of its pioneering heritage, rustic, and rural lifestyle. Agriculture, though still present and important to the Town, is giving way to higher education facilities and research and development centers. The Town has grown to over 34.5 square miles. The Town's Open Space and Recreational programs were the first of their kind in Florida and they are a source of great civic pride. With modern port facilities and a world-class airport only moments away, and linked by several interstate and toll highways, the Town has proven to be a mecca for individuals and businesses wishing to be part of the growing South Florida community. Only twenty minutes from Downtown Miami and less than half that to Fort Lauderdale, Davie has capitalized on this central and important location. Industrial and commercial development have been and will continue to be very strong.

REPORTING ENTITY

The activities included in our report are those over which the Town has the ultimate financial accountability. Any activity for which the Town, as a "primary" government, is ultimately financially accountable has been presented within this report. No activity has been excluded which would cause our financial statements to be misleading or incomplete. Certain activities are not included in this report because they do not meet the necessary criteria. For example, in Florida, school boards are independently elected and financially accountable for their finances. As such, the school board would present separate financial statements.

The Town has a Community Redevelopment Agency (CRA). Its purpose is to facilitate redevelopment in certain areas of the Town. It is financed by property tax revenues that are levied by the Town and certain other taxing authorities on the increased taxable values in those targeted areas that exceed a base year amount. This is called the tax increment. The CRA is a component unit of the Town and is therefore included within this report. Its resources are tracked from year to year and its surpluses, if any, are available for purposes approved by the CRA Board and ratified by the Town Council. The Town Council appoints the CRA Board members.

SERVICES PROVIDED BY THE TOWN

The Town provides its residents and businesses with the full range of municipal services contemplated by state law or local charter. Services include police and fire, culture, recreation, community services,

licensing and permitting, general administration, water and sewer utilities, public works and maintenance, development and redevelopment services, and code enforcement. Through franchise agreements, the Town also provides garbage disposal, cable television, electricity, and towing.

GOVERNMENT STRUCTURE

The Town exists as a Council-Administrator form of municipal government. Under Florida law, Davie is considered a Municipal Corporation. The Mayor is elected by all registered voters of the Town, while the four Council members are each elected only by the registered voters of the specific district they are elected to represent. The Mayor serves as chairperson of public meetings and executes certain documents authorized by charter, ordinance, or resolution. Each elected official serves a three-year term of office. The Council appoints the Town Administrator, the Town Clerk, and the Town Attorney. With Council's approval, the Town Administrator appoints Department Heads. The Department Heads have the primary responsibility to hire and fire employees, however, the final decision ultimately rests with the Town Administrator. The Town is organized into various Departments as shown in the attached Illustration 1. The Budget and Finance Department, which has the responsibility for preparation of this report, is shown in Illustration 2.

THE TOWN ADMINISTRATOR'S OFFICE

This Office is responsible for leadership and the overall management of the Town. Any policy that the Town Council wishes implemented becomes the responsibility of this Office. Additionally, certain activities such as Community Redevelopment, Housing and Community Development, Old Davie School Historic Site, Special Projects, Economic Development, and Town Clerk are the responsibility of this Office.

THE BUDGET AND FINANCE DEPARTMENT

This Department is responsible for Financial Administration, Utilities Customer Service, and Purchasing.

THE HUMAN RESOURCES DEPARTMENT

This Department is responsible for Human Resources and Risk Management.

THE DEVELOPMENT SERVICES DEPARTMENT

This Department is responsible for Planning, Zoning, and Land Use activities, Building Permits and Inspections, Engineering, Occupational Licenses, and Code Enforcement.

THE POLICE DEPARTMENT

This Department is responsible for all aspects of Law Enforcement services. Dispatching is provided by the Broward County Sheriff.

THE FIRE DEPARTMENT

This Department is responsible for all Fire and Rescue operations of the Town, Emergency Medical services, and Fire Inspection services. Dispatching is provided by Broward County.

THE PUBLIC WORKS AND CAPITAL PROJECTS DEPARTMENT

This Department is responsible for the Town's facilities and infrastructure other than Water and Sewer.

THE PARKS AND RECREATION DEPARTMENT

This Department is responsible for the recreational and cultural activities of the Town and for the operation of the Town's extensive Open Space program.

THE UTILITIES DEPARTMENT

This Department is in charge of the Town's Water and Sewer plants and operations.

THE INFORMATION SYSTEMS DEPARTMENT

This Department is responsible for the operation and maintenance of the Town's computer and communication systems.

THE COMPREHENSIVE ANNUAL FINANCIAL REPORT, MANAGEMENT RESPONSIBILITY, AND THE ANNUAL FINANCIAL AUDIT

A detailed understanding of the financial position and operating results of the Town is provided in the CAFR. Presented in the footnotes section of the CAFR is a brief description of financial information, management of financial resources and obligations, and control techniques applicable to financial resources, obligations, and information. These notes cover the basis of presentation for the Government-wide Financial Statements and for the Fund Financial Statements, and the financial statement measurement focus and the basis of accounting for the Government-wide Financial Statements and the Fund Financial Statements. Together with the other footnotes, this information will provide useful information to the reader when assessing the CAFR.

Florida Statutes and the Town's Charter require an annual audit of the books of account, financial records, and transactions of all departments of the Town by an independent certified public accountant selected by the Town Council. While this requirement has been met, it is nonetheless management's responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures. We believe the information as presented is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the Town as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the Town's financial affairs have been included. It is the Town's practice to fully disclose any item it believes will give the reader a better understanding of the Town's financial standing. When practical, the Town early adopts any new GASB Statement. The Town is an active participant and supporter of both the Government Finance Officers Association of the United States and Canada (GFOA) and the Governmental Accounting Standards Board (GASB) of the Financial Accounting Foundation. We actively and openly support any change recommended by GASB that will enhance the reporting and understanding of local government finance. Additionally, under GASB Statement 34, we now provide as Required Supplementary Information a section for Management's Discussion and Analysis (MD&A). MD&A is designed to be an objective and easily readable analysis of the government's financial activities based on currently known facts, decisions, or conditions.

Internal Accounting Controls

In developing and evaluating the Town's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized user disposition and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of internal control should not exceed the benefits likely to be derived, and that the evaluation of cost and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe the Town's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgets and Budgetary Accounting

The Town is legally required to adopt an annual budget for its General Fund. In September, formal public hearings are conducted to obtain taxpayers' comments. Prior to October 1, the budget is legally adopted.

The level of control, the level at which expenditures may not exceed the budget, is at the department level. The Town Administrator is authorized to transfer budget amounts within line items of departments. Any budget amendments between departments or that alter the budget in total must be approved by the Town Council. All unencumbered appropriations lapse at the end of the fiscal period.

Cash Management and Investment Practices

Throughout its operations, the Town utilizes modern cash management techniques. With the exception of the pension funds, and the Community Endowment Fund, the main goal of the Town is preservation of

principal. Cash is deposited daily either by the Town for over-the-counter receipts or by the Town's bank through a lock box arrangement. All funds are swept into an account with the State of Florida Board of Administration Investment Pool. Checking accounts are maintained on a "zero balance" basis by the bank and are swept daily with funds provided by the State pool. The bank acts as agent for the Town and can only transfer balances into accounts pre-designated by the Town. The yield is considered acceptable by the Town for the security provided. All investments in the State pool are considered liquid and available for use by the Town. Additionally, the Town utilizes a local government investment pool, the Florida Municipal Investment Trust, to further enhance investment earnings and diversify investments.

Pension funds and the Town's Community Endowment Fund strive to achieve growth of funds through investments of Equities and Fixed Income securities. These funds are at risk of loss of principal, but the Town believes that over a very long period of time, a much greater yield will occur to offset any losses that occur from time to time. Without assuming a risk of investment, insufficient capital would accrue to these funds and they would require a greater financial commitment from the Town.

Because the stock market had been providing substantial returns for many years, our defined benefit pension plans had been experiencing returns that exceeded their expectations. This in turn reduced the Town's contribution to those plans. While this positively affected the Town in the short term and our budgets reflected those savings, now the Town must be prepared to increase our budget without raising taxes because of the more recent losses incurred by the market. Our goal will be not to commit to new programs unless we believe a revenue stream will exist in the future to support those programs. We have set a policy of stable taxation in our community and our operating millage has not changed in over 10 years. The last millage rate increase occurred because we eliminated a tax on water service. This shifted the burden from the poor to those with more wealth.

As required by Florida law, the Town has adopted a formal investment policy for each of its funds.

Debt Administration

The Town believes that debt is a necessary and integral part of conducting its operations on a financially sound and equitable basis to all taxpayers. Since governmental funds do not utilize a "depreciation" concept, debt is used to provide intergenerational equity of the expense of capital items to the period in which the benefit of those items accrue to the community. For a community that is growing such as the Town, this debt burden assures that new residents and businesses pay for their fair share of Town facilities. Further, the Town believes that investment practices and debt administration should be considered together in managing interest rate exposures and risk. We believe looking at these activities together can achieve a lower overall net expense or greater new investment income. Our current practice of utilizing variable rate debt in much of our debt portfolio has provided an "internal hedge" against interest rate movements. We generally can expect about a 100 basis point spread between our variable rate debt and our variable rate investments. This provides us the benefit of lower interest rate on debt without the exposure to interest rate movements. It is important to keep this strategy in mind when we feel pressure to utilize our reserves to pay for new programs in an effort to temporarily avoid raising taxes. When reserves are utilized to avoid the inevitable tax increase, we lose our investment income exponentially and we would also increase our exposure to interest rate movements. This would force us to convert our debt or otherwise spend money on interest rate swaps to mitigate that risk. Both risk mitigation strategies would cost us money and add to a burden that otherwise should be avoided.

In non-governmental funds, the Town's practice is to use debt only when it can be demonstrated that specific users will be charged for and can repay that debt.

In all cases, the Town strives to achieve the overall lowest cost of debt while maintaining equity amongst taxpayers. In evaluating fixed rate debt versus variable rate debt, the Town takes bids from institutions and evaluates the best overall bid in terms of assumptions as to what will take place in the future.

Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has established a

Self-Insurance Fund (an internal service fund) to account for and finance its insured and uninsured risks of loss.

Effective October 1, 2002, the Town joined South East Risk Management Association (SERMA) a Public Entity Risk Pool (Risk Pool) for property and liability exposures. The Town employs a Risk Manager within the Human Resources Department. The members of the Risk Pool include six municipalities who have entered into an inter-local agreement related to the Risk Pool. Members are subject to supplemental assessments in the event of deficiencies. The pool rates each entity separately based upon experience. Some insurance is not provided by the SERMA Pool. In those cases, the Town has the Pool third party administrator (TPA) secure quotes for those individual policies.

The Town also provides medical coverage through the Self-Insurance Fund. The Town returned to self-insurance in the summer of 2002, and engaged United Healthcare as the Town's third party administrator.

FINANCIAL STATEMENT FORMAT

This report is presented in four main sections: introductory, financial, statistical, and compliance. The introductory section is designed to provide an overview and general understanding of the report. The financial section provides to the reader a detailed presentation of the financial position and results of operations for fiscal year 2004. The reader should pay particular attention to the footnotes and the MD&A of the financial section since current reporting standards require only footnote disclosure of some things which can and do have a significant impact on the future financial resources of the Town. The statistical section provides some general information the reader will find useful in gauging the financial statements to the historical and non-financial measures detailed in that section. The compliance section provides information about grants received by the Town and compliance with applicable laws, rules, regulations, contracts, and grants, as well as information and recommendations regarding the Town's system of internal controls.

The financial section is divided into four main subsections:

- 1) **MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A).** MD&A is designed to be an objective and easily readable analysis of the government's financial activities based on currently known facts, decisions, or conditions. It is the Town's financial managers who are knowledgeable of, and responsible for, the presentation of the transactions, events, and conditions that govern the Town's operations. MD&A provides the financial managers with the opportunity to present both a short and a long-term analysis of the government's activities.
- 2) **BASIC FINANCIAL STATEMENTS.** This section is further divided into three major subsections: (a) Government-Wide Financial Statements that provide easy to read information about the Town's Primary Government activities (broken down further into Governmental Activities and Business Type Activities), (b) Fund Financial Statements that provide the more traditional "Fund Balance" approach, and (c) Notes to the Financial Statements, which provide critical details on information contained within the report.
- 3) **REQUIRED SUPPLEMENTARY INFORMATION** This section provides budgetary compliance information, valuable pension schedules, and Fiduciary Fund information, which has been omitted from the Government-wide Financial Statements, but which information is indispensable in evaluating financial condition.
- 4) **COMBINING FINANCIAL STATEMENTS.** This section provides combining statements on internal service fund activity which has been eliminated in the Basic Financial Statements, as well as combining statements for the Town's Fiduciary Funds.

The reader is encouraged to carefully read each section, including the MD&A which provides key highlights and valuable analysis of the report.

Acknowledgments

We greatly appreciate the time and effort expended in the preparation of this report by our Budget and Finance Department staff. We feel very fortunate that all of our staff has been with us for a very long time

and that they care very much about their work and what it means to our community. Without their daily efforts, our work in preparing this document would be a much greater burden. We hope that you are as proud of them as we are and we cannot begin to express to you how indispensable they are to us and to you. They have our utmost confidence and they take their work seriously and display genuine professionalism. They are what we would hope all government employees should be. We would like express our thanks for the cooperation received from our independent auditors, Grau & Company, and thank the Town Council for their interest and support in planning and conducting the financial operations of the Town.

A handwritten signature in black ink, appearing to read 'C. Kovanes', with a stylized, flowing script.

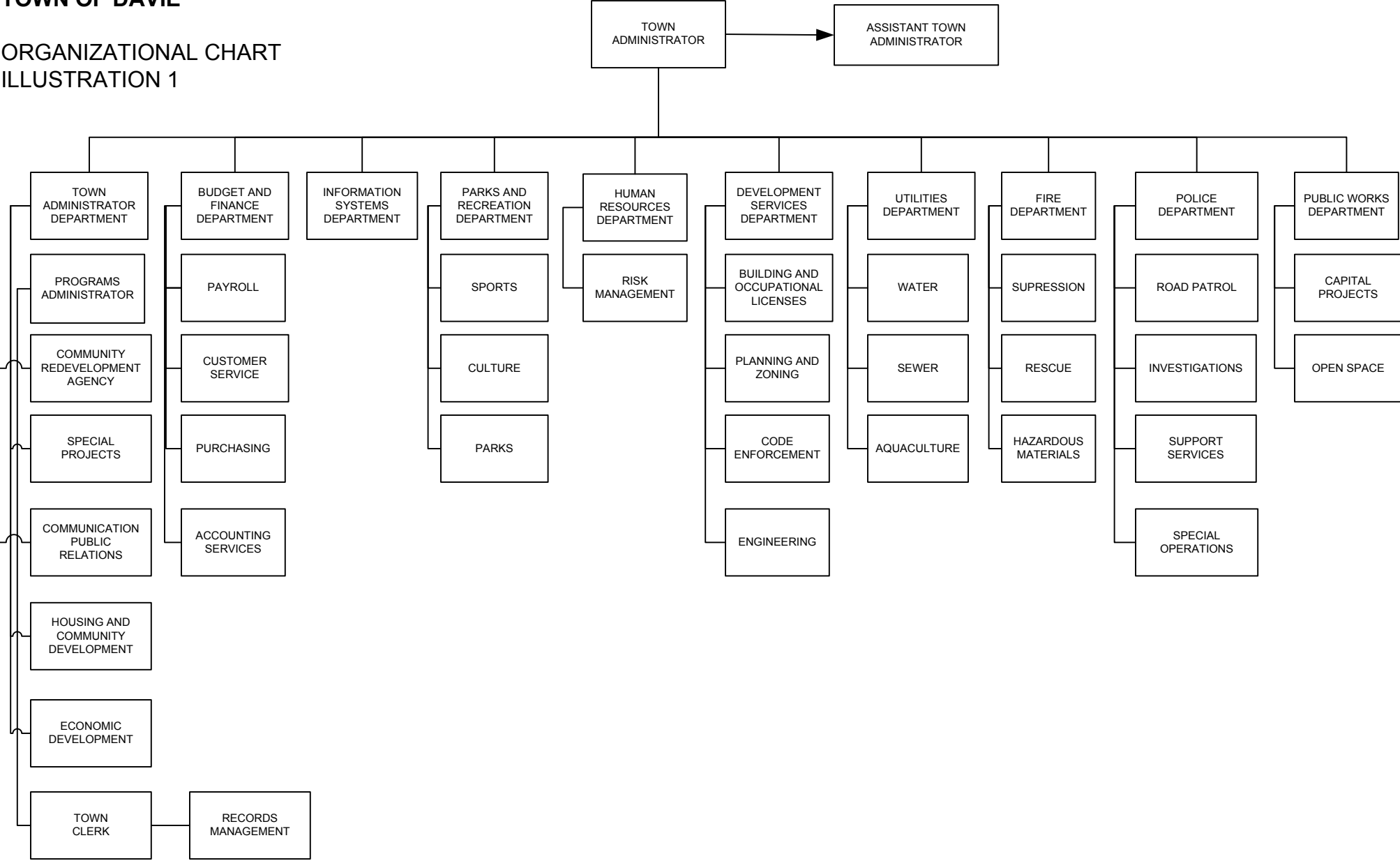
Chris Kovanes, Town Administrator

A handwritten signature in black ink, appearing to read 'W. F. Underwood II', with a bold, stylized script.

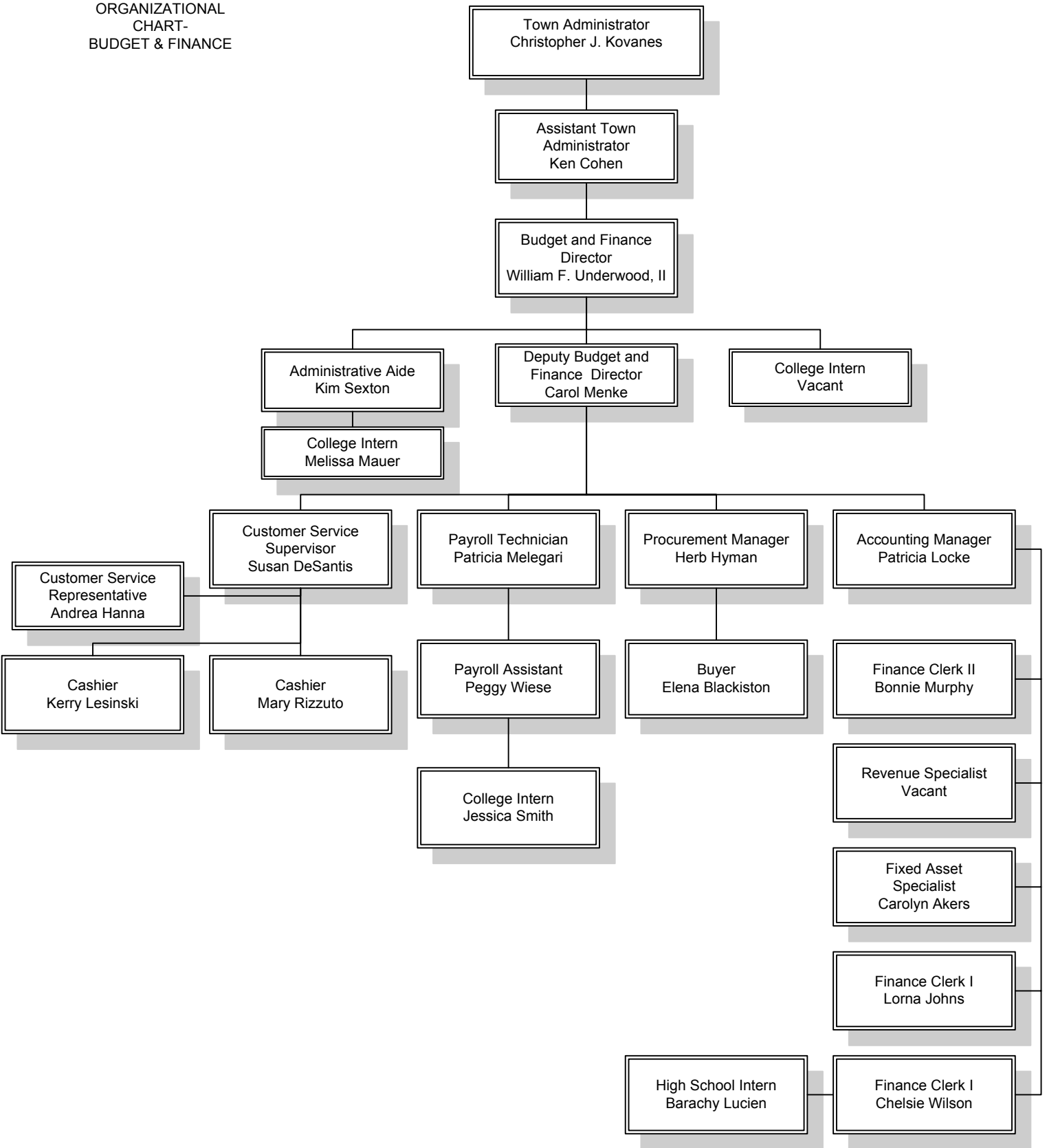
William F. Underwood II, Budget and Finance Director

TOWN OF DAVIE

ORGANIZATIONAL CHART
ILLUSTRATION 1



ORGANIZATIONAL
CHART-
BUDGET & FINANCE



TOWN OF DAVIE, FLORIDA

LIST OF PRINCIPAL OFFICIALS

2004 – 2005 Town Council

Tom Truex	Mayor
Judy Paul	Vice Mayor
Michael Crowley	Councilmember
Lisa Hubert	Councilmember
Susan Starkey	Councilmember

2005 – 2006 Town Council

Tom Truex
Lisa Hubert
Michael Crowley
Judy Paul
Susan Starkey

Administrative Officials

Christopher Kovanes	Town Administrator
Ken Cohen	Assistant Town Administrator
William F. Underwood II	Budget and Finance Director
Mark Kutney	Development Services Director
Don DiPetrillo	Fire Chief
Mark Alan	Human Resources Director
Frank Apicella	Information Systems Director
Dennis Andresky	Parks and Recreation Director
John George	Police Chief
Bonnie Stafiej	Special Projects Director
Russell Muniz	Town Clerk
Dan Colabella	Utility Director
Bruce Bernard	Public Works/Capital Projects Director
Shirley Taylor-Prakelt	Housing and Community Development Director
William Allen	Redevelopment Administrator
Monroe Kiar	Town Attorney
Grau & Company	Town Auditors

FINANCIAL SECTION

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor, Town Council and Town Administrator
Town of Davie, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Davie, Florida (the Town) as of and for the year ended September 30, 2004, which, collectively, comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Town of Davie Police Employees Pension Trust Fund or the Town of Davie Firefighters' Pension Plan. The Police Employees Pension Trust Fund and the Firefighters' Pension Plan, which together represent 92% of the assets and 50% of the revenues of the fiduciary fund totals, are included in the fund financial statements. Those financial statements were audited by other independent auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town of Davie Police Employees Pension Trust Fund and the Firefighters' Pension Plan, are based solely on the reports of the other independent auditors. The financial statements of the Town of Davie Police Employees Pension Trust Fund and the Firefighters' Pension Plan were not audited in accordance with *Government Auditing Standards*.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinions, based on our report and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town, as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 8, 2005 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an internal part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Honorable Mayor, Town Council and Town Administrator
Town of Davie, Florida
Page Two

Management's Discussion and Analysis and the required supplementary information identified in the table of contents, are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying information identified in the table of contents as combining financial statements are presented for purposes of additional analysis and is not a required part of the basic financial statements. Similarly, the accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.550, Rules of the Auditor General and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the Introductory and Statistical Sections, and the Schedule of County Assistance has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion thereon.

A handwritten signature in blue ink, appearing to be "D. L. King", is written in a cursive style.

July 8, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

The Town of Davie's discussion and analysis (MD&A) is designed to provide an objective and easy to read analysis of the Town's financial activities based on currently known facts, decisions, or conditions. It is intended to provide a broad overview on short-term and long-term analysis of the Town's activities based on information presented in the financial report and fiscal policies that have been adopted by the Town. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the Town's financial activity, identify changes in the Town's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

This is the sixth year that the Town has presented, under this early implementation, its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement Number 34 — *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments* (Statement 34). As noted later in this report, infrastructure reporting has not yet been implemented, as allowed under the implementation provisions of Statement 34. The Town expects to have infrastructure reporting added in the FY2005 report.

As with other sections of this financial report, the information contained within this MD&A should be considered only a part of a greater whole. The reader of this statement should take time to read and evaluate all sections of this report, including the footnotes and the other Required Supplemental Information (RSI) that is provided in addition to this MD&A.

Understanding the Basic Financial Statements

GASB Statement 34 represents a monumental change from the way in which government financial statements are recorded and presented. It now provides for the first time a concise "entity-wide" Statement of Net Assets and Statement of Activities, seeking to give the user of the financial statements a combined overview of the Town's financial position and result of operations eliminating interfund activities and "other people's money" such as pension funds, which can mislead users when incorporated in a combined manner. The Government-wide Financial Statements also differentiate between Governmental and Business-type Activities, further assisting the reader in their evaluation.

The new reporting model requires the use of accrual accounting (which focuses on economic resources) at the top most level, while maintaining modified accrual accounting (which focuses on current financial resources —budgeted resources) at the individual fund level. This is an important change in governmental accounting. For the first time, the impact of long-term financial decisions can be more properly matched to the period in which the expense or revenue is more properly attributed. In short, more fairness in presentation is achieved and the impacts of long-term decisions are promptly recorded as the transactions occurred, as opposed to the traditional method of recording them when the bill is paid. A good example of this is the recording of compensated absences such as vacation time. Heretofore, this time was "expensed" as paid, not when earned. As a result, employees could accrue hundreds or thousands of hours in the past without that expense being attributed to the taxpayers who benefited from those employees services. Future taxpayers would be stuck with the bill when the employees left, but they would not have benefited from those employee's services. This is but one of many examples of "expenses" that have traditionally not been matched to the period of benefit. As a result, poor decision making can occur and problems may not be identified in a timely manner.

Readers who want to know about "budgetary performance" will find that information available to you in the required supplementary information following the notes to the financial statements. This new reporting model provides more useful and relevant information than in prior years. An overview discussion of the different sections of this new reporting model follows.

Government-Wide Financial Statements

The government-wide financial statements consist of a Statement of Net Assets and a Statement of Activities. Both statements represent an overview of the Town as a whole, separating its operations

between Governmental and Business-type activities. All information is presented utilizing the economic resources measurement focus and accrual basis of accounting. This method better matches revenues and expenses to the period in which the revenue is earned and the expense attributed. The Town's Community Redevelopment Agency is shown as a blended component unit. Fiduciary funds, such as pension trust funds, are precluded from these Government-wide Financial Statements because they represent money and funds legally set aside for use by the employee groups they benefit. Their assets and income do not flow through these statements, nor are the liabilities for which taxpayers may ultimately be responsible included. Though Florida law requires municipalities to fund pension plans on an actuarially sound basis, it is important for the reader to study the Fund Financial Statements (as explained in the following section) as well as the footnotes and statistical sections of this report. Also combined into the Government-wide Financial Statements are the Internal Service Funds of the Town.

The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is designed to be similar to a bottom line for the Town and its governmental and business-type activities. This statement, for the first time, combines and consolidates governmental fund's current financial resources (short-term spendable resources) with capital assets (note: infrastructure will be added at a later date, see "Infrastructure Assets" below) and long-term obligations.

The Statement of Activities is focused on both the gross and net cost of various activities (including governmental, business-type and component unit), which are provided by the government's general tax and other revenues. This is intended to summarize and simplify the user's analysis of cost of various governmental services and the local taxing effort necessary to sustain each of those activities.

Fund Financial Statements

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The Governmental Funds presentation is presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan (the budget) is typically developed. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. Funds are established for various purposes and the Fund Financial Statements allow the demonstration of sources and uses and/or budgeting compliance associated therewith. The Fund Financial Statements also allow the government to address its Fiduciary (or Trust) Funds summarized by type (pension, investment and private purpose trusts). While these Funds represent trust responsibilities of the government, these assets are restricted in purpose and do not represent discretionary assets of the government. Therefore, these assets are not presented as part of the Government-Wide Financial Statements. While the Total column on the Business-type Fund Financial Statements is the same as the Business-type column on the Government-Wide Financial Statements, after adjusting for internal service funds, the Governmental Funds Total column requires a reconciliation because of the different measurement focus (current financial resources versus total economic resources) which is reflected on the page following each statement. The flow of current financial resources will reflect bond proceeds and interfund transfers as other financial sources as well as capital expenditures and bond principal payments as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligations (bonds and others) into the Governmental Activities column (in the Government-wide statements).

Infrastructure Assets

While the Town has elected to early implement the major model portions of GASB Statement 34 (for 1998/99 versus 2003/04), the Town has deferred implementing the infrastructure portion related to general governmental activities until ready to address the valuation of infrastructure assets. Historically, governmental fixed assets, particularly infrastructure assets, have only been accounted for using the current financial resources (budgeted resources) method, and have not been expensed annually through depreciation or accounted for otherwise, the Town expects to spend tremendous effort to build this information and properly account for it. The Town has spent several million dollars over the last few years, with significant reservations of fund balances in the General Fund earmarked for even more improvements. While repairs, reconditioning, and replacement of certain assets is likely to be needed

after this implementation, we feel that, for the most part, the Town's infrastructure assets are in good condition with funding sources continually earmarked for these specific purposes.

Analysis of the Overall Financial Position and Results of Operations

In evaluating the financial position and short-term financial performance of the Town, two tools are particularly valuable: The Statement of Net Assets and the Statement of Activities.

It is useful for the reader to compare the current year with the prior year. This aids in spotting trends and other areas of concern or interest. For ease of relative comparisons, we include the percent change from one year to another.

Statement of Net Assets

Net Assets of the Town represents the difference between Assets and Liabilities of the Town using the economic resources measurement focus and accrual basis of accounting. Had the Town accounted for its infrastructure assets, Net Assets Invested in Capital Assets, Net of Related Debt, would have been significantly higher.

In general terms, the Town's Total Assets increased 10%, despite the decrease in the business-type activities. A greatly reduced rate structure, wherein rates were reduced 28% to customers of the Town's Water and Sewer system, was adopted by the Town in a prior fiscal year and continues to place noticeable financial pressure on the system.

Table 1

Comparative Net Assets Table

Stated in Thousands

	Governmental Activities			Business Type Activities			Total Government		
	2004	2003	Change	2004	2003	Change	2004	2003	Change
Assets									
Current and Other	\$55,979	\$53,048	6%	\$22,679	\$21,965	3%	\$ 78,658	\$ 75,013	5%
Capital Assets, Net	78,618	66,407	18%	19,494	19,720	-1%	98,112	86,127	14%
Total Assets	134,597	119,455	13%	42,173	41,685	1%	176,770	161,140	10%
Liabilities									
Current	19,394	10,082	92%	1,942	1,440	35%	21,336	11,522	85%
Long Term									
Due Within 1 Year	3,312	3,513	-6%	1,165	1,170	0%	4,477	4,683	-4%
Due in More than 1 Year	43,221	46,228	-7%	16,065	15,082	7%	59,286	61,310	-3%
Total Liabilities	65,927	59,823	10%	19,172	17,692	8%	85,099	77,515	10%
Net Assets									
Invested in Capital									
Assets, Net	36,734	21,808	68%	2,604	3,772	-31%	39,338	25,580	54%
Restricted									
Renewal and Repl.	-	-	-	3,217	3,743	-14%	3,217	3,743	-14%
Capital projects	(826)	4,762	-117%	802	778	3%	-24	5,540	-100%
Debt service	974	919	6%	-	-	-	974	919	6%
Open space	1,658	1,601	4%	-	-	-	1,658	1,601	4%
Law enforcement	418	377	11%	-	-	-	418	377	11%
Impact Fees	2,332	2,104	11%	-	-	-	2,332	2,104	11%
Community Redevelop.	2,462	2,246	10%	-	-	-	2,462	2,246	10%
Development Related	6,996	5,248	33%	-	-	-	6,996	5,248	33%
Road resurfacing	148	148	0%	-	-	-	148	148	0%
Unreserved Unrestricted	17,774	20,419	-13%	16,378	15,700	4%	34,152	36,119	-5%
Total net assets	68,670	59,632	15%	23,001	23,993	-4%	91,671	83,625	10%

The Governmental Activities of the Town saw a 6% increase in Current and Other Assets while the current liabilities of those activities increased 92%. Capital Assets increased by 18%, net of accumulated depreciation. Total Liabilities increased from the prior year by 10%. Unreserved unrestricted Net Assets now stand at \$17.8 million, a \$2.6 million decrease from the previous year.

Business-type activities, almost entirely the Town's Water and Sewer system showed a 3% increase in Current Assets and a 1% change in Total Assets. Current Liabilities increased by 35% while Total Liabilities increased by about 8%. Capital Asset Investment, net of related debt, decreased by 31%. Renewal and Replacement (R&R) decreased by about 14%. This represents funds immediately available for system improvements. The Total Net Assets for the Business-type Activities decreased minimally by about 4% from the prior year. The reduced rates charged to customers have negatively impacted the system, but not to the point where it is in peril or would require subsidization from other sources.

On a Total Government basis, Current Assets increased by 5% while current liabilities increased by 85%. Despite this change, the Town is able to meet its short-term obligations. Total Net Assets increased by 10% for the year.

Statement of Activities

Activities in the Town (Table 2 below) continue to follow previous years' trends, with modest growth in sources of revenue and markedly increasing expenses associated with most activities. The Statement of Activities illustrates some particular areas that need to be further discussed.

The Governmental Activities represent the lion's share of all activity within the Town reflecting the Town's growing character. The Business-type Activities primarily reflect the Water and Sewer operations of the Town and show a relatively stagnant posture. Again this reflects the results of reducing utility rates by 28% several years ago.

Program revenues increased by 55% in the Governmental Activities, with a 28% increase coming from direct charges to users of specific services, primarily building inspections and engineering services while both operating and capital grants increased.

Governmental Activities General Revenues increased by about 11% overall, with large increases in Miscellaneous revenues. The operating millage rate has not changed for eleven years. Franchise Fees increased by 10%, and Utility Taxes remained flat.

The Business Activities of the Town had a modest year as charges for services increased 7% but lower developers contributions for connections to our system dropped 40% resulting in a 2% overall increase in program revenue. While development is strong in the Town, it is primarily occurring in the part of the Town serviced by other utility companies.

Program Expenses in the Governmental Activities increased by 19% overall, with large percentage increases in Engineering and General Government. These increases are due largely to increased service efforts because as the Town continues to undergo development it adds correspondingly to infrastructure and development related services.

Program Expenses in Business-type Activities increased by 8% overall. As for the water and sewer operations, rate reductions have made operations in the Water and Sewer system financially tight, the Town has had to be very careful in the daily expenses incurred on behalf of the system.

Overall, Net Assets increased by about 10% for the year, with a 15% increase noted for Governmental Activities.

Expenses within the Town continue to grow at a rate which will soon out pace the revenue growth. Much of the expenditure growth has been masked by the availability of increased revenues associated with strong construction activity. Our opportunities for growth through annexation are now significantly restricted as the Town has only one remaining area of possible annexation that would yield net revenues.

Table 2
Comparative Statement of Activities
Stated in Thousands

	Governmental Activities			Business Type Activities			Total Government		
	2004	2003	Change	2004	2003	Change	2004	2003	Change
Revenues:									
Program Revenues									
Charges for Services	\$16,995	\$13,283	28%	\$7,312	\$6,814	7%	\$24,307	\$20,097	21%
Operating Grants and Contributions	3,990	3,778	6%	-	-	-	3,990	3,778	6%
Capital Grants and Contributions	7,076	1,008	602%	464	774	-40%	7,540	1,782	323%
Total Program Revenues	28,061	18,069	55%	7,776	7,588	2%	35,837	25,657	40%
General Revenues									
Property Taxes, Operating	24,416	21,124	16%	-	-	-	24,416	21,124	16%
Property Taxes, Debt Service	2,239	2,497	-10%	-	-	-	2,239	2,497	-10%
Utility Taxes	9,274	9,272	0%	-	-	-	9,274	9,272	0%
Franchise Fees	6,694	6,081	10%	-	-	-	6,694	6,081	10%
Unrestricted Grants and Contributions	7,310	6,316	16%	-	-	-	7,310	6,316	16%
Investment Income	1,679	1,789	-6%	409	375	9%	2,088	2,164	-4%
Miscellaneous	1,027	366	181%	-	-	-	1,027	366	181%
Transfers	-	-3	-100%	-	3	-100%	0	0	-
Total General Revenue	52,639	47,442	11%	409	378	8%	53,048	47,820	11%
Total Revenues	80,700	65,511	23%	8,185	7,966	3%	88,885	73,477	21%
Program Expenses									
General Government	9,208	4,865	89%	-	-	-	9,208	4,865	89%
Development Services	6,377	6,034	6%	-	-	-	6,377	6,034	6%
Engineering	1,199	799	50%	-	-	-	1,199	799	50%
Public Works	6,085	4,969	22%	-	-	-	6,085	4,969	22%
Police	25,615	23,283	10%	-	-	-	25,615	23,283	10%
Fire Rescue	14,975	12,525	20%	-	-	-	14,975	12,525	20%
Parks and Recreation	6,764	6,395	6%	-	-	-	6,764	6,395	6%
Interest	1,439	1,268	13%	-	-	-	1,439	1,268	13%
Water and Sewer	-	-	-	9,156	8,503	8%	9,156	8,503	8%
Aquaculture	-	-	-	21	21	0%	21	21	0%
Total Expenses	71,662	60,138	19%	9,177	8,524	8%	80,839	68,662	18%
Change in Net Assets	9,038	5,373	68%	-992	-558	78%	8,046	4,815	67%
Net Assets, October 1	59,632	54,259	10%	23,993	24,551	-2%	83,625	78,810	6%
Net Assets, September 30	68,670	59,632	15%	23,001	23,993	-4%	91,671	83,625	10%

Individual Fund Performance

Governmental Funds

In the General Fund, the Town's revenues exceeded its expenditures by almost \$4.6 million. Fund Balance increased by about \$537 thousand primarily due to the transfer of funds to the Town's Capital Projects fund. Further, discussion on the particulars will be found below in the Budget Variance Section.

The Community Redevelopment Agency had an increase in their Fund Balance of about \$216 thousand while spending over \$554 thousand on improvements in the redevelopment area. This fund is beginning to show tremendous growth because of the increased values now occurring with the defined area.

The Community Endowment Fund decreased by about \$1.6 million in Fund Balance. The amount available in this fund for Community Obligations now stands at almost \$2.29 million.

The Capital Projects Fund provided projects of about \$14 million to the community this year, compared with \$6.7 million in the previous year. This continues a decade long capital improvements program that has largely been financed with long-term debt. Much of the activity for the year resulted from projects associated with an open space, and parks and recreation.

The Vehicle Maintenance Fund reflected an operating loss of over \$1 million. The Town utilized a large portion of its unrestricted net assets to construct desperately needed fleet maintenance facilities and expand fleet vehicles. Money appropriated for FY2004 for vehicles approximated \$1 million. Vehicle charge rates to departments have not changed. The new garage facility is expected to be completed during FY2005 and will probably cost about \$1.5 million to \$2 million. All of this will come from the unrestricted net assets of the fund and they should be sufficient to cover all anticipated outlays without affecting working capital needs.

The Self-Insurance Fund added about \$807 thousand to its Net Assets, again improving this funds ability to handle larger losses and assume more risk. Claims expense was not as great as anticipated either actuarially or realized. Fund Net Assets stand at about \$6.7 million.

The Information Systems Fund consumed over \$149 thousand of its Net Assets, lowering it to nearly \$673 thousand. This fund has not been accumulating enough resources to sustain its operations and future year's contributions from other funds will be increased. Planned improvements to information systems will not be able to be accommodated from within this fund without significant increases in internal charges. This would have a negative impact on budget operations. Fund charges were not increased in FY04.

The Building Maintenance Fund, the youngest of all the Town's internal service funds, had operations that barely broke even, adding only about \$60 thousand. The total Net Assets of this fund now stand at about \$613 thousand. It will still take several more years for this fund to accumulate the capital necessary to adequately address the Town's facility needs.

The use of these funds has served to insulate recurring capital replacement needs from the volatile budgetary process. As a result, the Town's needs for vehicles, information systems, and building component replacement and maintenance have been adequately addressed. Management of these oft-neglected needs has been very effective.

Business-type Activities

The Town's Water and Sewer system provided Operating Income of about \$161 thousand that resulted in a primary Net Revenue Bond Coverage of 1.11x. Rates in the system have been predicated on coverage of 1.15x, with the legal requirement being 1.10x. The previous years' coverage was 1.19x. In FY98, the Town lowered its Water and Sewer rates by 28% as a matter of public policy. The Town's practice has been to provide this service in a quality manner at an affordable price and not to make "excessive" profits. Coverage prior to the rate reduction had been approaching 2.0x. Net Assets,

Unrestricted, in the fund are about \$15.4 million. Rate increases are not being contemplated by the Town at this time, but may become necessary if development activity within the system declines. Because coverage is tight on this fund, constant management of the financial operations is required.

Fiduciary Funds

The Town's pension funds posted increases of nearly \$13.6 million to the net assets of the plans primarily due to the implementation of a new plan for the management and general employees of the Town. The fair market value of the plans' holdings is \$72.6 million as of September 30. The Net Assets held for Pension Benefits of the various trusts total about \$68.7 million. Despite the nation's economic conditions that are improving the performance on these funds the Town will continue to see sizable increases in its required contributions to the plans. Substantial improvements to benefits for both Police and Fire plans in prior years are in large part funded with the increases in the market value of the plans' investments.

Analysis of Significant Budget Variations

Budget variance reporting is only included for the General Fund. Summarized below are the significant variances accompanied by an explanation:

- Licenses and permits, Favorable \$2.3 million variance. Attributed to an increasing level of construction activity.
- Interest, Unfavorable \$270 thousand. Attributed to reduced principal.
- General Government, Expenditures, Favorable \$1.4 million variance. Associated primarily with Budget and Finance, Administrative Services and Development Service activity that did not occur when anticipated.
- Police Department, Personal services and Operating expenditures, Unfavorable \$1.1 million variance. Mostly attributed to amounts related to higher than anticipated overtime costs, retirement contributions and utility service costs.
- Fire Department, Operating expenditures, Favorable \$1.18 million variance. Attributed primarily to less personnel services.
- Public Works, Operating expenditures, Unfavorable \$363 thousand variance. Attributed primarily to higher than budgeted utility service costs and expenses and various operating expenditures.

Significant Capital Assets and Long-Term Debt Activity

The Town did not issue any long-term debt during the year. As a policy, debt is issued as part of a long-term financing mechanism for almost all capital projects or significant capital outlay items. The variable rate portion of the debt portfolio is designed to lessen interest rate risk by hedging against variable rate investments, while allowing for a cheaper cost of funds. Variable rate debt is matched to the Town's variable rate investments with the goal of achieving a 100 basis point spread. Historical spread levels have been, on average, about 90%. This internal hedge insulates that part of our asset/liability mix from interest rate movements and allows the Town to finance in a market that is historically more attractive over the life of the bonds. During the year, the Town retired approximately \$4.7 million in outstanding debt.

The Town spent approximately \$16 million in Governmental Funds Capital Assets. About \$1 million in new Capital Assets was provided for in the Water and Sewer system, and also in advance of other planned improvements in the near term. This amount does not include significant amounts spent on repairs and maintenance but which do not qualify for categorization as a Capital Asset.

Capital Contributions from developers in the Water and Sewer system amounted to about \$464 thousand, representing mostly contributions-in-aid of construction.

Economic Factors and Next Year's Budget

In the conduct of municipal government, various lawsuits, commitments, and contingencies will arise. Significant disclosure of these items appear in the accompanying footnotes to this report.

Florida has many limiting measures on residential property taxes, and all affect the Town. The first \$25,000 of assessed value is exempt from taxation on homestead property. Additionally, homeowners over age 65 and who have income less than \$20,000 are able to avoid taxes on the next \$25,000 of assessed value. Florida's Constitution was amended with the Save Our Homes amendment. Homestead property is now limited to a maximum 3% increase in assessed value per year, or less if inflation is less. Davie is almost two-thirds residential in character and much of the new housing stock is being built at the high end of the market. That part of the Town's tax base will not grow as quickly as the Town's budget.

Additionally, the Town has a Community Redevelopment Agency that is making improvements on the east-side of the Town. This agency encompasses an area which has most of the industrial lands within the Town. The growth in this area's tax base will inure to the Component Unit and not the Governmental Activities of the Town, restricting the Town's revenue growth potential even further.

Annexations are almost complete in the Town with but one enclave remaining. The Town will almost certainly be annexing this area in the next couple of years and will provide some breathing room against these budget pressures. The Town is in need of better land use mixes in its tax base to overcome these obstacles.

The Town has, over the years, implemented meaningful leave time caps for its employees, except in its two most expensive sources: Police and Fire.

Significant pressure has been and will continue to be felt by the public employee bargaining groups to improve pay, benefits, and working conditions. Most employee bargaining groups are politically active and the Town has historically approved significant increases in pay, benefits, and working conditions. This has exerted and will continue to inflate costs at a pace which exceed the growth in the revenue to pay for those costs.

The Town is located within Broward County in South Florida. The area has seen substantial growth in the last few years. Davie is a desirable location for both residences and businesses. The "leading indicators" of growth, such as platting of parcels of lands, site plans of lands, requested land use and zoning changes, have all been very strong, indicating the outlook for continued growth is favorable. The Town is very heavily weighted towards residential properties and the mix of land use could be a problem in the future. The Town currently levies about half its legally available millage rate.

The Town was involved in a dispute with a neighboring municipality regarding the provision of water and sewer services and expended significant sums of money on the issue. This matter will continue into the future and may result in the Town acquiring the system. This would greatly impact the Town's finances and would almost certainly require significant capital improvements that could only be accessed through the public finance markets.

The Town's fiscal year 2004 budget reflects an unchanged operating millage rate in keeping with the Town's tax stability plan. Because of continued development and increases in other revenue sources to the Town, the Town was able to budget for an increase in expenditures on public safety departments in fiscal year 2004 without raising the millage rate.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact the Town of Davie, Budget and Finance Department at 6591 Orange Drive, Davie, Florida, 33314, or call (954) 797-1050.

BASIC FINANCIAL STATEMENTS

TOWN OF DAVIE
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2004

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Pooled cash and cash equivalents	\$ 40,744,130	\$ 5,235,733	\$ 45,979,863
Investments	3,949,285	-	3,949,285
Receivables, net	10,989,476	1,649,467	12,638,943
Prepaid items	246,216	-	246,216
Inventory	49,591	188,146	237,737
Restricted pooled cash and cash equivalents	-	4,169,667	4,169,667
Restricted receivables	-	801,366	801,366
Other assets	-	587,089	587,089
Due from Governmental Activities	-	10,047,368	10,047,368
Capital assets not being depreciated	28,417,391	1,042,324	29,459,715
Capital assets, net of accumulated depreciation	50,200,430	18,451,283	68,651,713
Total assets	<u>\$ 134,596,519</u>	<u>\$ 42,172,443</u>	<u>\$ 176,768,962</u>
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	\$ 6,770,732	\$ 491,853	\$ 7,262,585
Deferred revenue	751,824	-	751,824
Other liabilities	1,499,837	-	1,499,837
Due to Business Activities	10,047,368	-	10,047,368
Deposits	-	952,259	952,259
Accrued interest	324,615	497,215	821,830
Noncurrent liabilities:			
Due within one year	3,311,462	1,165,000	4,476,462
Due in more than one year	43,220,709	16,065,232	59,285,941
Total liabilities	<u>65,926,547</u>	<u>19,171,559</u>	<u>85,098,106</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	36,734,329	2,604,061	39,338,390
Restricted for:			
Renewal and replacement and rate stabilization	-	3,217,408	3,217,408
Capital projects	(825,766)	801,366	(24,400)
Debt service	974,000	-	974,000
Community redevelopment agency	2,461,818	-	2,461,818
Police impact fees	1,584,266	-	1,584,266
Fire impact fees	747,381	-	747,381
Open space program	1,657,874	-	1,657,874
Law enforcement forfeitures	417,718	-	417,718
Development services - building	4,567,369	-	4,567,369
Development services - engineering	2,428,991	-	2,428,991
Road resurfacing Orange Drive	147,500	-	147,500
Unrestricted	17,774,492	16,378,049	34,152,541
Total net assets	<u>\$ 68,669,972</u>	<u>\$ 23,000,884</u>	<u>\$ 91,670,856</u>

See notes to basic financial statements

TOWN OF DAVIE, FLORIDA
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Total
Governmental activities:							
General government	\$ 9,207,619	\$ 1,808,363	\$ 483,280	\$ -	\$ (6,915,976)	\$ -	\$ (6,915,976)
Development services	6,377,188	8,420,746	89,684	1,460,711	3,593,953	-	3,593,953
Engineering	1,198,909	-	-	-	(1,198,909)	-	(1,198,909)
Public works	6,085,395	103,709	1,452,520	253,661	(4,275,505)	-	(4,275,505)
Police	25,615,085	1,006,093	1,351,532	-	(23,257,460)	-	(23,257,460)
Fire rescue	14,975,262	4,843,071	42,669	-	(10,089,522)	-	(10,089,522)
Parks and recreation	6,763,471	813,271	569,791	5,361,082	(19,327)	-	(19,327)
Interest on long-term debt	1,438,985	-	-	-	(1,438,985)	-	(1,438,985)
Total governmental activities	71,661,915	16,995,253	3,989,476	7,075,454	(43,601,732)	-	(43,601,732)
Business-type activities:							
Water and sewer	9,155,969	7,293,795	-	463,587	-	(1,398,587)	(1,398,587)
Aquaculture	21,265	19,197	-	-	-	(2,068)	(2,068)
Total business-type activities	9,177,234	7,312,992	-	463,587	-	(1,400,655)	(1,400,655)
Total	80,839,149	24,308,245	3,989,476	7,539,041	(43,601,732)	(1,400,655)	(45,002,387)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					24,415,964	-	24,415,964
Property taxes, levied for debt service					2,239,408	-	2,239,408
Utility taxes					5,354,767	-	5,354,767
Communications services tax					3,918,933	-	3,918,933
Franchise fees on gross receipts					6,694,379	-	6,694,379
Grants and contributions not restricted to specific programs					7,310,298	-	7,310,298
Unrestricted investment earnings					1,679,068	408,685	2,087,753
Miscellaneous					1,027,182	-	1,027,182
Total general revenues and transfers					52,639,999	408,685	53,048,684
Change in net assets					9,038,267	(991,970)	8,046,297
Net assets, October 1					59,631,705	23,992,854	83,624,559
Net assets, September 30					\$ 68,669,972	\$ 23,000,884	\$ 91,670,856

See notes to basic financial statements

TOWN OF DAVIE, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2004

	General	Community Endowment	Capital Projects	Other Nonmajor Funds	Total Governmental Funds
<u>ASSETS</u>					
Pooled cash and cash equivalents	\$ 25,285,059	\$ 747	\$ 2,359,612	\$ 2,482,281	\$ 30,127,699
Investments	-	3,949,285	-	-	3,949,285
Receivables:					
Property taxes, net	226,712	-	-	-	226,712
Utility and franchise taxes, net	1,671,645	-	-	-	1,671,645
Roadway assessment	61,646	-	-	-	61,646
Other	313,116	-	-	-	313,116
Due from other governments	2,564,993	-	5,361,082	785,338	8,711,413
Due from other funds	2,238,464	-	-	-	2,238,464
Prepaid items	6,300	-	-	-	6,300
Total assets	<u>\$ 32,367,935</u>	<u>\$ 3,950,032</u>	<u>\$ 7,720,694</u>	<u>\$ 3,267,619</u>	<u>\$ 47,306,280</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 5,367,753	\$ 747	\$ 424,181	\$ 96,168	\$ 5,888,849
Other liabilities	481,492	-	-	-	481,492
Deferred revenue	751,824	-	-	-	751,824
Due to other funds	-	1,528,831	9,114,429	709,633	11,352,893
Due to pension plan	1,018,345	-	-	-	1,018,345
Total liabilities	<u>7,619,414</u>	<u>1,529,578</u>	<u>9,538,610</u>	<u>805,801</u>	<u>19,493,403</u>
Fund balances:					
Reserved for:					
Capital projects	992,150	-	(1,817,916)	-	(825,766)
Debt service	974,000	-	-	-	974,000
Encumbrances	516,184	126,050	-	-	642,234
Community redevelopment agency	-	-	-	2,461,818	2,461,818
Police impact fees	1,584,266	-	-	-	1,584,266
Fire impact fees	747,381	-	-	-	747,381
Open space program	1,657,874	-	-	-	1,657,874
Law enforcement forfeitures	417,718	-	-	-	417,718
Development services - building	4,567,369	-	-	-	4,567,369
Development services - engineering	2,428,991	-	-	-	2,428,991
Road resurfacing Orange Drive	147,500	-	-	-	147,500
Unreserved					
Designated for Capital projects	-	-	-	-	-
Designated for community obligations	-	2,294,404	-	-	2,294,404
Undesignated	10,715,088	-	-	-	10,715,088
Total fund balances	<u>24,748,521</u>	<u>2,420,454</u>	<u>(1,817,916)</u>	<u>2,461,818</u>	<u>27,812,877</u>
Total liabilities and fund balances	<u>\$ 32,367,935</u>	<u>\$ 3,950,032</u>	<u>\$ 7,720,694</u>	<u>\$ 3,267,619</u>	<u>\$ 47,306,280</u>

See notes to basic financial statements

TOWN OF DAVIE, FLORIDA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2004

Fund balances - total governmental funds		\$ 27,812,877
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Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the governmental funds.

Governmental capital assets	\$ 118,632,232	
Less accumulated depreciation	<u>(40,014,411)</u>	78,617,821

Bond interest payable not reported in the governmental funds	(324,615)
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Long-term liabilities, including bonds payable, are not due and payable
in the current period and therefore are not reported in the governmental funds.

Governmental bonds payable	(41,883,492)	
Compensated absences	<u>(4,648,679)</u>	(46,532,171)

Internal service funds are used by management to charge the cost of certain
activities to individual funds. The assets and liabilities of the internal service
funds that are reported with governmental activities, other than capital assets
and long-term liabilities already included above.

	<u>9,096,060</u>
Net assets governmental activities	<u>\$ 68,669,972</u>

See notes to basic financial statements

TOWN OF DAVIE, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2004

	General	Community Endowment	Capital Projects	Other Nonmajor Funds	Total Governmental Funds
Revenues:					
Intergovernmental	\$ 9,861,054	\$ -	\$ 5,361,082	\$ 1,460,711	\$ 16,682,847
Property taxes	24,802,109	-	-	1,853,263	26,655,372
Communications service tax	3,918,933	-	-	-	3,918,933
Utility taxes	5,354,224	-	-	-	5,354,224
Franchise fees	6,694,922	-	-	-	6,694,922
Licenses and permits	7,779,426	-	-	-	7,779,426
Charges for services	6,422,927	-	-	4,570	6,427,497
Fines and forfeitures	997,596	-	-	-	997,596
Fire rescue assessments	2,669,405	-	-	-	2,669,405
Miscellaneous	1,870,011	309,637	-	-	2,179,648
Investment income	530,867	852,790	-	-	1,383,657
Total revenues	70,901,474	1,162,427	5,361,082	3,318,544	80,743,527
Expenditures:					
General government:					
Town administration department:					
Personnel services	1,159,305	-	-	-	1,159,305
Operating expenditures	1,043,880	2,754,986	-	-	3,798,866
	2,203,185	2,754,986	-	-	4,958,171
Budget and finance department:					
Personnel services	893,636	-	-	-	893,636
Operating expenditures	861,159	-	-	-	861,159
	1,754,795	-	-	-	1,754,795
Administrative services department:					
Personnel services	1,022,023	-	-	-	1,022,023
Operating expenditures	1,345,750	-	-	-	1,345,750
	2,367,773	-	-	-	2,367,773
Development services department:					
Personnel services	4,879,609	-	-	441,194	5,320,803
Operating expenditures	626,003	4,569	-	112,968	743,540
	5,505,612	4,569	-	554,162	6,064,343
Engineering department:					
Personnel services	663,670	-	-	-	663,670
Operating expenditures	57,255	-	-	-	57,255
	720,925	-	-	-	720,925
Parks and recreation department:					
Personnel services	2,876,830	-	-	-	2,876,830
Operating expenditures	1,942,770	-	-	-	1,942,770
	4,819,600	-	-	-	4,819,600
Total general government	\$ 17,371,890	\$ 2,759,555	\$ -	\$ 554,162	\$ 20,685,607

(Continued)

See notes to basic financial statements

TOWN OF DAVIE, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2004
(Continued)

	General	Community Endowment	Capital Projects	Other Nonmajor Funds	Total Governmental Funds
Expenditures:					
Public safety:					
Police department:					
Personnel services	\$ 21,301,773	\$ -	\$ -	\$ -	\$ 21,301,773
Operating expenditures	2,853,805	-	-	-	2,853,805
	<u>24,155,578</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,155,578</u>
Fire department:					
Personnel services	12,866,545	-	-	-	12,866,545
Operating expenditures	1,282,366	-	-	-	1,282,366
	<u>14,148,911</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,148,911</u>
Total public safety	<u>38,304,489</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,304,489</u>
Public works:					
Personnel services	2,458,919	-	-	-	2,458,919
Operating expenditures	2,962,160	-	-	-	2,962,160
Total public works	<u>5,421,079</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,421,079</u>
Debt service:					
Principal retirements	3,432,297	-	-	-	3,432,297
Interest	1,229,873	-	91,219	-	1,321,092
Total debt service	<u>4,662,170</u>	<u>-</u>	<u>91,219</u>	<u>-</u>	<u>4,753,389</u>
Capital outlay:	<u>516,827</u>	<u>847</u>	<u>14,030,219</u>	<u>1,466,198</u>	<u>16,014,091</u>
Total expenditures	<u>66,276,455</u>	<u>2,760,402</u>	<u>14,121,438</u>	<u>2,020,360</u>	<u>85,178,655</u>
Excess (deficiency) of revenues over expenditures	<u>4,625,019</u>	<u>(1,597,975)</u>	<u>(8,760,356)</u>	<u>1,298,184</u>	<u>(4,435,128)</u>
Other financing sources (uses):					
Transfers in	-	-	5,170,074	-	5,170,074
Transfers out	(4,087,893)	-	-	(1,082,181)	(5,170,074)
Total other financing sources (uses)	<u>(4,087,893)</u>	<u>-</u>	<u>5,170,074</u>	<u>(1,082,181)</u>	<u>-</u>
Net change in fund balances	537,126	(1,597,975)	(3,590,282)	216,003	(4,435,128)
Fund balances - October 1	<u>24,211,395</u>	<u>4,018,429</u>	<u>1,772,366</u>	<u>2,245,815</u>	<u>32,248,005</u>
Fund balance, September 30	<u>\$ 24,748,521</u>	<u>\$ 2,420,454</u>	<u>\$ (1,817,916)</u>	<u>\$ 2,461,818</u>	<u>\$ 27,812,877</u>

See notes to basic financial statements

TOWN OF DAVIE, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2004

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	(4,435,128)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized and depreciated over their estimated useful lives.

The details of the differences are as follows:

Expenditures for the capital assets	\$ 15,165,312		
Less current year depreciation	<u>(4,311,287)</u>		10,854,025

The issuance of long-term debt (e.g. revenue bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued whereas these amounts are deferred and amortized in the statement of activities.

The details of the differences are as follows:

Principal payments	<u>3,432,297</u>		3,432,297
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

The details of the differences are as follows:

Change in long-term compensated absences	(315,633)		
Loss on disposal of fixed assets	(43,345)		
Change in accrued interest	<u>(117,893)</u>		(476,871)

Internal service funds are used by management to charge the cost of certain activities to individual funds. The net revenue of the internal service funds is reported with governmental activities.

(336,056)

Change in net assets of governmental activities	\$	<u><u>9,038,267</u></u>
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See notes to basic financial statements

TOWN OF DAVIE, FLORIDA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2004

ASSETS	Enterprise funds			Internal Service Funds
	Water and Sewer	Aquaculture (a nonmajor fund)	Total	
Current Assets:				
Pooled cash and cash equivalents	\$ 5,231,063	\$ 4,670	\$ 5,235,733	\$ 10,616,431
Due from other funds	9,114,429		9,114,429	-
Receivables	1,648,712	755	1,649,467	4,944
Prepaid items	-	-	-	239,916
Inventory	188,146	-	188,146	49,591
Total current assets	16,182,350	5,425	16,187,775	10,910,882
Noncurrent assets:				
Restricted pooled cash and cash equivalents	4,169,667	-	4,169,667	-
Restricted accounts receivable	801,366	-	801,366	-
Other assets	587,089	-	587,089	-
Capital assets:				
Land	1,042,324	-	1,042,324	-
Improvements to land	2,332,748	-	2,332,748	-
Buildings and equipment	36,295,538	71,674	36,367,212	10,638,151
Less accumulated depreciation	(20,201,772)	(46,905)	(20,248,677)	(5,606,691)
Total capital assets, net	19,468,838	24,769	19,493,607	5,031,460
Total noncurrent assets	25,026,960	24,769	25,051,729	5,031,460
Total assets	\$ 41,209,310	\$ 30,194	\$ 41,239,504	\$ 15,942,342
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 490,577	\$ 1,276	\$ 491,853	\$ 489,827
Bonds payable	1,135,000	-	1,135,000	56,000
Total current liabilities	1,625,577	1,276	1,626,853	545,827
Noncurrent liabilities:				
Deposits - payable from restricted assets	952,259	-	952,259	-
Accrued interest	497,215	-	497,215	-
Compensated absences	340,686	-	340,686	-
Bonds payable	15,754,546	-	15,754,546	112,000
Total noncurrent liabilities	17,544,706	-	17,544,706	112,000
Total liabilities	19,170,283	1,276	19,171,559	657,827
NET ASSETS				
Investment in capital assets, net of related debt	2,579,292		2,579,292	4,863,460
Restricted for renewal and replacement and rate stabilization	3,217,408	-	3,217,408	
Restricted for capital projects	801,366	-	801,366	
Unrestricted	15,440,961	28,918	15,469,879	10,421,055
Total net assets	\$ 22,039,027	\$ 28,918	\$ 22,067,945	\$ 15,284,515

Explanation of difference between proprietary funds statement
of net assets and the statement of net assets:

Internal service funds are used by management to charge the costs of certain activities,
such as vehicle maintenance and insurance, to individual funds. The portion
attributable to business-type activities is reflected here and the residual assets
and liabilities of the internal service funds are included in governmental
activities in the statement of net assets.

932,939
\$ 23,000,884

See notes to basic financial statements

TOWN OF DAVIE, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2004

	Enterprise funds			Internal Service Funds
	Water and Sewer	Aquaculture (a nonmajor fund)	Total	
Operating revenues:				
Charges for services	\$ 7,293,795	\$ 19,197	\$ 7,312,992	\$ 11,082,270
Operating expenses:				
Personal services	2,545,870	-	2,545,870	554,036
Professional fees	321,901	14,563	336,464	-
Heat, light and power	729,382	-	729,382	-
Supplies and materials	354,890	-	354,890	-
Maintenance	847,572	-	847,572	2,467,523
Insurance	-	-	-	2,754,715
Claims	-	-	-	4,383,485
Administrative	-	-	-	51,658
Other	1,126,612	-	1,126,612	-
Depreciation and amortization	1,206,234	6,702	1,212,936	1,219,726
Total operating expenses	7,132,461	21,265	7,153,726	11,431,143
Operating income (loss)	161,334	(2,068)	159,266	(348,873)
Nonoperating revenues (expenses):				
Interest income	408,685	-	408,685	-
Gain on sale of assets	-	-	-	2,496
Interest expense	(2,010,415)	-	(2,010,415)	(2,772)
Total nonoperating revenues (expenses):	(1,601,730)	-	(1,601,730)	(276)
Income (Loss) before contributions and transfers	(1,440,396)	(2,068)	(1,442,464)	(349,149)
Capital contributions	463,587	-	463,587	-
Transfers in	-	-	-	-
Change in net assets	(976,809)	(2,068)	(978,877)	(349,149)
Total net assets, October 1	23,015,836	30,986	23,046,822	15,633,664
Total net assets, September 30	\$ 22,039,027	\$ 28,918	\$ 22,067,945	\$ 15,284,515
Explanation of difference between proprietary funds statement of revenues, expenses and changes in fund net assets and the statement of activities:				
Change in net assets - Proprietary Fund Financial Statements			(978,877)	
Internal service funds are used by management to charge the costs of certain activities, such as vehicle maintenance and insurance, to individual funds. The portion attributable to business-type activities is reflected here.			(13,093)	
Change in net assets - Statement of Activities			\$ (991,970)	

See notes to basic financial statements

TOWN OF DAVIE, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2004

	Enterprise funds			Internal Service Funds
	Water and Sewer	Aquaculture (a nonmajor fund)	Total	
Cash flows from operating activities:				
Cash received from customers	\$ 7,294,183	\$ 19,275	\$ 7,313,458	\$ 11,089,429
Cash paid to suppliers	(3,982,749)	(14,605)	(3,997,354)	(9,390,657)
Cash paid to employees	(1,983,545)	-	(1,983,545)	(606,931)
Net cash provided by operating activities	1,327,889	4,670	1,332,559	1,091,841
Cash flow from noncapital financing activities:				
Loan to other fund	(9,114,429)	-	(9,114,429)	-
Cash flows from capital and related financing activities:				
Proceeds from sale of capital assets	-	-	-	2,496
Acquisition and construction of capital assets	(986,665)	-	(986,665)	(2,576,334)
Principal retirements of capital debt	-	-	-	(81,000)
Interest paid on capital debt	(1,073,026)	-	(1,073,026)	(2,772)
Capital contributed by developers	440,045	-	440,045	
Net cash (used by) capital and related financing activities	(1,619,646)	-	(1,619,646)	(2,657,610)
Cash flows from investing activities:				
Interest on investments	408,685	-	408,685	-
Net (decrease) increase in pooled cash and cash equivalents	(8,997,501)	4,670	(8,992,831)	(1,565,769)
Pooled cash and cash equivalents, October 1	17,901,016	-	17,901,016	12,182,202
Pooled cash and cash equivalents, September 30	\$ 8,903,515	\$ 4,670	\$ 8,908,185	\$ 10,616,433
Pooled cash and cash equivalents per statement of net assets:				
Unrestricted	\$ 5,231,063	\$ 4,670	\$ 5,235,733	\$ 10,616,431
Restricted	4,169,667	-	4,169,667	-
	\$ 9,400,730	\$ 4,670	\$ 9,405,400	\$ 10,616,431
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 161,334	\$ (2,068)	\$ 159,266	\$ (348,873)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	1,206,234	6,702	1,212,936	1,219,726
Provision for bad debts	19,552	-	19,552	-
Change in assets and liabilities:				
Decrease (increase) in accounts receivable	(61,193)	78	(61,115)	7,159
Decrease (increase) in inventory	(38,675)	-	(38,675)	(32,460)
Decrease in prepaid items and other assets	-	-	-	173,879
Increase (decrease) in accounts payable, accrued liabilities and compensated absences	(1,392)	(42)	(1,434)	72,410
Increase in deposits	42,029	-	42,029	-
Total adjustments	1,166,555	6,738	1,173,293	1,440,714
Net cash provided by operating activities	\$ 1,327,889	\$ 4,670	\$ 1,332,559	\$ 1,091,841

See notes to basic financial statements

TOWN OF DAVIE, FLORIDA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2004

	<u>Pension Trust Funds</u>
<u>ASSETS</u>	
Pooled cash and cash equivalents	\$ 5,102,673
Investments, at fair value	66,192,583
Receivables:	
Interest and dividends	278,238
Contributions receivable	<u>1,069,581</u>
Total assets	<u><u>\$ 72,643,075</u></u>
<u>LIABILITIES AND NET ASSETS</u>	
Liabilities:	
Due to broker	\$ 148,212
Accounts payable	52,475
DROP payable	<u>3,707,449</u>
Total liabilities	<u><u>3,908,136</u></u>
Net assets held in trust for pension benefits	<u><u>\$ 68,734,939</u></u>

See notes to basic financial statements

TOWN OF DAVIE, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED SEPTEMBER 30, 2004

	Pension Trust Funds
ADDITIONS	
Contributions:	
Town	\$ 7,400,906
Plan members	4,502,122
State	1,080,331
Total contributions	<u>12,983,359</u>
Investment income:	
Net depreciation in fair value of investments	1,945,708
Interest and dividends	1,846,623
	<u>3,792,331</u>
Less investment expenses	324,713
Net investment income	<u>3,467,618</u>
Total additions	<u>16,450,977</u>
DEDUCTIONS	
Benefits	2,446,249
Refunds of contributions	60,260
Administrative expenses	329,749
Total deductions	<u>2,836,258</u>
Change in net assets	13,614,719
Net assets, October 1	<u>55,150,220</u>
Net assets, September 30	<u><u>\$ 68,764,939</u></u>

See notes to basic financial statements

NOTES TO BASIC FINANCIAL STATEMENTS

TOWN OF DAVIE, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting methods and procedures adopted by the Town of Davie, Florida, conform to accounting principles generally accepted in the United States as applied to governmental entities. In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. This Statement provides for significant changes in financial reporting. As a part of this Statement, there is a new reporting requirement regarding the local government's infrastructure (roads, bridges, traffic signals, etc.). This requirement permits an optional four-year further delay for implementation. The Town elected to early implement the basic model beginning with FY 1998/99 and would hope to early implement the infrastructure-related portion in a subsequent year. The following notes to the basic financial statements are an integral part of the Town's basic financial statements.

1. Reporting Entity

The Town was first incorporated in 1925 and was subsequently dissolved as a municipal corporation by the State of Florida when local residents failed to adopt necessary taxing powers. The Town was reincorporated in 1961 and exists as a Council-Administrator form of municipal government. All registered voters elect the Mayor and four Council members; each of the four Council members represents a specific district. The Mayor serves as chairperson of public meetings and executes certain documents authorized by charter, ordinance, or resolution. Each elected official serves a three-year term of office. Each year, the Council elects a Vice Mayor who serves in the capacity of the Mayor when the Mayor is unable to perform his or her duties.

The Town provides its residents and businesses with the full range of municipal services contemplated by state law or local charter. Included are police and fire services, culture, recreation, community services, licensing and permitting, general administration, water and sewer utilities, public works and maintenance, and development services and code enforcement. Through franchise agreements, the Town also provides garbage disposal, cable television, electricity, towing, and telephone and telegraph services.

As required by accounting principles generally accepted in the United States, these financial statements present the Town and its component unit, an entity for which the Town is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations.

Blended Component Unit. The Town of Davie Community Redevelopment Agency (CRA), although an entity legally separate from the Town, is governed by the Town Council. The CRA's own seven member board, appointed by the Town Council, serves in the capacity of an advisory board since the CRA's annual budget, contracts, grants and all other actions must be authorized directly by resolutions of the Town Council. In addition, the Town has issued bonds to finance CRA projects and is financially responsible for the CRA. Therefore, for financial reporting purposes, the CRA is reported as if it were part of the Town's operations and included within the Town's reporting entity as a special revenue fund. The CRA is the Town's only component unit.

The basic financial statements include both government-wide and fund financial statements. While the previous model emphasized fund types, the new reporting model focuses on the Town as a whole and on individual major funds. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. In the government-wide statement of net assets, both the governmental and business-type activities columns are presented on a consolidated basis and are reflected on a full accrual, economic resource basis.

TOWN OF DAVIE, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004
(Continued)

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Basic Financial Statements

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

This government-wide focus is more on the sustainability of the Town as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are very similar to the financial statements presented in the previous model. Emphasis is on the major funds in either the governmental or business-type categories.

The governmental funds major fund statements, in the fund financial statements, are presented on a current financial resource measurement focus and use the modified accrual basis of accounting. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the governmental column of the government-wide presentation.

Internal service funds of a government are presented in summary form as part of the proprietary fund financial statements. Since the principal users of the internal services are the Town's governmental activities, financial statements of internal service funds are consolidated into the governmental column when presented at the government-wide level.

The Town's fiduciary funds are presented in the fund financial statements. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the Town, these funds are not incorporated into the government-wide statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

3. Measurement Focus and Basis of Presentation

The financial transactions of the Town are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

GOVERNMENTAL FUNDS

The focus of governmental fund measurement (in the fund financial statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the major governmental funds of the Town:

TOWN OF DAVIE, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004
(Continued)

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Measurement Focus and Basis of Presentation (Continued)

GOVERNMENTAL FUNDS (Continued)

General Fund

The *General Fund* is the general operating fund of the Town. General tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenses, fixed charges, and capital improvement costs not paid through other funds are paid from this fund.

Community Endowment Special Revenue Fund

The *Community Endowment Fund* was established in a prior fiscal year with a residual equity transfer from a terminated General Employees' Pension Plan. The funds are to be applied to unfunded liabilities; to other liabilities of the Town as may from time to time need funding; to projects or programs that need capital creation that will be repaid over time; or to projects or programs that are in the community chest of charities or goodwill and which have one-time needs.

Capital Projects Fund

The *Capital Projects Fund* is used to account for the cost of acquiring, constructing, and placing into service those capital improvements which are associated with activities in the General Fund and are financed by long-term debt issues which are repaid by the recurring operating revenues in the General Fund. Improvements made from resources provided by this fund are approved in the Town's five-year capital program and generally have no regard for fiscal periods.

Community Redevelopment Agency Special Revenue Fund (A Nonmajor Fund)

The *Community Redevelopment Agency Fund* is used to account for the activities of the Town's Community Redevelopment Agency, a component unit of the Town.

Community Development Block Grant Fund (A Nonmajor Fund)

The *Community Development Block Grant Fund* is used to account for the activities of the Town's grants received from the United States Department of Housing and Urban Development related to Community Development Block Grant (CDBG) funds.

TOWN OF DAVIE, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004
(Continued)

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Measurement Focus and Basis of Presentation (Continued)

PROPRIETARY FUNDS

Proprietary Funds include Enterprise and Internal Service Funds. Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (including depreciation and amortization) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The focus of Proprietary Fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. Internal Service Funds are used to account for the financing of goods or services provided by one Town department to another Town department on a cost reimbursement basis and to accumulate working capital for the renewal and replacement of assets in those funds. In accounting for proprietary activities, the Town applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: FASB Statements and Interpretations, APB Opinions.

Water and Sewer Enterprise Fund

The *Water and Sewer Fund* is used to account for the operations of the water and sewer utility system. The cost of operating the water and sewer system is recovered almost entirely by user charges. Tax dollars are not permanently used in this fund. The acquisition, maintenance, and improvement of the physical plant facilities are financed from existing cash resources, issuance of revenue bonds and state or federal grants. The general fund charged the Water and Sewer Fund an administrative fee of \$680,000.

Aquaculture Enterprise Fund (A Nonmajor Fund)

The *Aquaculture Fund* is used to account for the operations of the Town's Aquaculture Research Center. The Town has contracted with the oceanographic department of Nova Southeastern University to lease the facility. The lease agreement provides for an annual payment of \$10,000 for use of the facility. The facility is being used to raise the freshwater fish tilapia for eventual sale. The Town established the Aquaculture Research Center by converting an abandoned water and sewer facility which otherwise would have had to be demolished.

Internal Service Fund for Vehicle Maintenance

The *Internal Service Fund for Vehicle Maintenance* is used to accumulate the cost of operating a central garage facility for vehicle and equipment maintenance. The cost allocation utilized provides for capital accumulation for the purpose of replacement vehicles. Costs of operating vehicles (replacement reserve, insurance reserve, maintenance, etc.) are established as a monthly rental rate per class of vehicle and the user department is charged for each vehicle it uses.

Internal Service Fund for Self-Insurance

The *Internal Service Fund for Self-Insurance* was established to account for and finance its insured and uninsured risks of loss.

TOWN OF DAVIE, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004
(Continued)

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Measurement Focus and Basis of Presentation (Continued)

Internal Service Fund for Information Systems

The *Internal Service Fund for Information Systems* is used to accumulate the costs associated with the acquisition and maintenance of information systems equipment. The cost allocation utilized provides for capital accumulation for the purpose of replacing and maintaining the information systems.

Internal Service Fund for Building Maintenance

The *Internal Service Fund for Building Maintenance* is used to accumulate the costs of providing and maintaining certain Town facilities. The cost allocation utilized provides for capital accumulation for the purpose of replacing and maintaining Town facilities.

FIDUCIARY FUNDS

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Town programs. The reporting focus is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds. The following is a description of the fiduciary funds of the Town:

Police Employees Pension Trust Fund

The Police Employees Pension Trust Fund is maintained solely for the benefit of the sworn police officers employed by of the Town.

Firefighters' Pension Plan

The Firefighters' Pension Plan is maintained solely for the benefit of the firefighters employed by the Town.

Management and General Employees' Plan

The management and General Employees' Plan is maintained to for the benefit of employees that are not represented under any other pension plan.

NONCURRENT GOVERNMENTAL ASSETS/LIABILITIES

GASB Statement No. 34 eliminated the presentation of account groups, but provides for these records to be maintained and incorporates the information into the governmental activities column in the government-wide statement of net assets.

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on an accrual basis of accounting. The governmental funds in the fund financial statements are presented on a modified accrual basis.

TOWN OF DAVIE, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004
(Continued)

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Basis of Accounting

Accrual

All proprietary, internal service and pension trust funds are accounted for using the accrual basis of accounting and the economic resources measurement focus. Revenues are recognized when earned and expenses are recognized when incurred.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenues. Likewise, *general revenues* include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund, of the aquaculture fund, and of the Town's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Modified Accrual

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers receivables collected within sixty days after year-end to be available and recognizes them as revenues of the current year. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement No. 34, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met should, under most circumstances, be reported as advances by the provider and deferred revenue by the recipient.

5. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Town considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

TOWN OF DAVIE, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004
(Continued)

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as due to/from balances.

7. Inventories

Inventories are valued at the lower of cost (first-in, first-out method) or market value. No significant inventories were on hand at year-end in the governmental funds. The inventory in the Internal Service Fund for Vehicle Maintenance consisted of fuel accounted for on the consumption method.

8. Investments

All investments are reported at fair value.

9. Fixed Assets

Property, plant, and equipment purchased or acquired is carried at historical cost. Where cost could not be determined from the available records, estimated historical cost was used to record the estimated value of the assets. Assets acquired by gift or bequest are recorded at their fair market value at the date of transfer. Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation.

The estimated useful lives for each major class of depreciable fixed assets are as follows:

Utility plant and improvements	30 Years
Improvements to land	20 Years
Transportation equipment	3-5 Years
Machinery and equipment	5-10 Years
Town buildings	20-35 Years

Upon disposal of property, the related cost and accumulated depreciation are removed from the accounts with gains or losses on disposal reported currently. Expenditures for maintenance, repairs, and minor renewals and betterments are charged against income. Renewals and betterments of a major character are capitalized.

GASB Statement No. 34 requires the reporting and depreciation of governmental funds infrastructure. Pursuant to GASB Statement No. 34, an extended period of deferral is available before the requirement to record and depreciate governmental funds infrastructure assets become effective. This category is likely to be the largest asset class of the Town and has historically not been reflected nor a measure of its consumption charged. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. Infrastructure assets related to proprietary funds have always been presented in the financial statements.

TOWN OF DAVIE, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004
(Continued)

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. Long-Term Obligations

In the government-wide financial statements, and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bonds premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether not withheld from the actual debt proceeds received, are reported as debt service expenditures.

11. Compensated Absences

It is the Town's policy to permit full-time employees to accumulate limited amounts of earned vacation leave and earned sick leave. Upon separation from service, employees receive payment for all unused vacation time and, subject to length of service, 50% of all unused sick leave.

The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

12. Pension Plans

As of year-end, the Town had four pension plans: three defined benefit plans and a Money Purchase Plan, covering substantially all of its full-time employees. The investments of the Fire Pension, Police Pension and the Management and General Employee Pension Plan are all carried at fair value.

13. Fund Equity

Reservations of fund balance represent amounts that are not appropriable or are legally restricted by outside parties for a specific purpose.

14. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

TOWN OF DAVIE, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004
(Continued)

B. DEPOSITS AND INVESTMENTS

As required by Florida Statutes, the Town Council has adopted a written investment policy, which may, from time to time, be amended by the Town Council. Under the current policy Town officials are authorized to invest funds in United States government obligations, guaranteed United States agency issues, State Treasurer's investment pool, Florida Municipal Investment Trust, Florida bank certificates of deposit and repurchase agreements. Trust funds and the Community Endowment Special Revenue Fund are also authorized to invest in corporate bonds and common stocks in addition to the previously listed investments.

Deposits

At September 30, 2004, the Town maintained cash book balances (exclusive of Pension Trust fund cash) of \$5,074,218 in the Florida Municipal Trust Fund and \$45,075,312 in the Local Government Surplus Funds Trust Fund, which are considered a cash equivalent.

In addition to insurance provided by the Federal Depository Insurance Corporation, all cash and cash equivalents, except the amounts on deposit with the Florida Municipal Investment Trust and the Local Government Surplus Funds Trust Fund, are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, Florida Security for Public Deposits Act, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as cash and cash equivalents are deemed as insured or collateralized with securities held by the entity or its agent in the entity's name.

Investments

The Florida Municipal Investment Trust (Trust) is administered by the Florida League of Cities. The Trust pools funds from member municipalities to invest in one or more investment portfolios. The Town has invested solely in the enhanced cash portfolio which is comprised largely of short term bonds and notes.

The Local Government Surplus Funds Trust Fund is administered by the State Board of Administration of Florida, which must follow the investment rules defined in Florida Statutes Chapter 215. The investment policy defined in the statute attempts to promote, through state assistance, the maximization of net interest earnings on invested surplus funds of local units of government while limiting the risk to which the funds are exposed.

The value of the Town's investment in the State's investment pool, which is not Securities and Exchange Commission (SEC), registered but which qualifies as a SEC 2a7-like pool, is reported at its fair value of its position in the pool, which is the same as its value of the pool shares. The Florida State Board of Administration, an agency of the State of Florida administers this local government surplus fund investment pool, with regulatory oversight exercised by the State.

Investments are classified as to credit risk and are summarized below:

Category 1 - Insured or registered, or securities held by the Town or its agent in the Town's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Town's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Town's name.

TOWN OF DAVIE, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004
(Continued)

B. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

	Category 1	Fair Value
U. S. Government Securities	\$ 12,019,823	\$ 12,019,823
Common Stock	43,578,793	43,578,793
Corporate Bonds	10,593,967	10,593,967
	<u>\$ 66,192,583</u>	<u>\$ 66,192,583</u>

Investments not subject to categorization:

Mutual funds	3,949,285
Investment in Local Government Surplus Funds Trust Fund	45,075,312
Investment in Florida Municipal Investment Trust Fund	5,074,163
Total investments	<u>\$ 120,291,343</u>

A reconciliation of cash and investments as shown on the statement of net assets and balance sheet is as follows:

Carrying amount of bank deposits	\$ 5,102,728
Carrying amount of investments	120,291,343
Total	<u>\$ 125,394,071</u>
Cash and cash equivalents - Primary Government	\$ 45,979,863
Restricted assets - Cash and cash equivalents - Primary Government	4,169,667
Investments - Primary Government	3,949,285
Total Primary Government	<u>54,098,815</u>
Cash and cash equivalents - Fiduciary Funds	5,102,673
Investments - Fiduciary Funds	66,192,583
Total - Fiduciary Funds	<u>71,295,256</u>
Grand Total	<u>\$ 125,394,071</u>

C. PROPERTY TAXES

The Town's property tax is levied and becomes a lien on real and personal property on October 1 of each year based on the assessed value listed as of the prior January 1. The Broward County Property Appraiser establishes assessed values. Broward County mails tax bills for the Town as the collection agent on or about October 1 of each year and is payable beginning November 1, with discounts of one to four percent if paid before March 1 of the following calendar year. All unpaid taxes on real and personal property become delinquent on April 1.

At September 30, uncollected current year amounts are classified as delinquent taxes receivable in the General Fund and offset by an allowance for uncollectible accounts. Delinquent taxes collected in subsequent periods are recognized as revenue in the General Fund during the fiscal year in which they are received.

TOWN OF DAVIE, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004
(Continued)

C. PROPERTY TAXES (Continued)

As of September 30, 2004, property taxes receivable was \$1,165,070 net of approximately \$938,358 in allowances for non-collectible taxes. The Town levied a rate of 5.7442 per \$1,000 of assessed valuation for the fiscal year commencing October 1, 2003.

D. INTERFUND TRANSACTIONS

1. Interfund receivable and payable balances at September 30, 2004 were as follows:

	Receivable	Payable
Due to/from other funds:		
General Fund	\$ 2,238,464	\$ -
Capital Projects Fund	-	9,114,429
Community Endowment Fund	-	1,528,831
Community Development Block Grant Fund	-	709,633
Water and Sewer Fund	9,114,429	-
Total	<u>\$ 11,352,893</u>	<u>\$ 11,352,893</u>

The balance due to the General Fund from the Community Endowment Fund resulted from loans made by the General Fund to establish working capital when the Aquaculture Fund was created and also to provide continuing assistance to that fund to cover operating losses.

The amount owed by the Capital Projects Fund to the Water and Sewer Fund is for the purchase of a parcel of land for approximately \$9.1 million the amount was financed from the Water and Sewer Fund with a loan to the Capital Projects Fund. It is anticipated that the purchase will be repaid to the Water and Sewer Fund from a combination of local and federal grants of approximately \$7.3 million and the balance from the sale of Wetland Mitigation Rights to Developers.

2. Transfers were used to move funds from the General Fund, which previously received proceeds from long-term debt issuances, to the Capital Projects Fund, from which the bond proceeds were expended. The Community Redevelopment Agency transferred funds to the General Fund for certain expenditures incurred by the General Fund. Transfers for the year ended September 30, 2004 were as follows:

	Transfer in	Transfers (out)
General Fund	\$ -	\$ (4,087,893)
Capital Projects Fund	5,170,074	-
Community Redevelopment Agency	-	(1,082,181)
	<u>\$ 5,170,074</u>	<u>\$ (5,170,074)</u>

TOWN OF DAVIE, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004
(Continued)

E. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2004 was as follows:

	Balance September 30, 2003	Additions	Deletions	Balance September 30, 2004
Governmental - activities:				
Non-depreciable assets:				
Land	\$ 19,292,934	\$ 9,124,457	\$ -	\$ 28,417,391
Depreciable assets:				
Improvements to land	22,669,524	1,700,821	-	24,370,345
Buildings and equipment	51,026,993	5,199,677	(538,510)	55,688,160
Roads and Drainage	8,396,297	1,760,039	-	10,156,336
Totals depreciable assets	82,092,814	8,660,537	(538,510)	90,214,841
Less accumulated depreciation	(34,978,563)	(5,531,013)	495,165	(40,014,411)
Total depreciable assets	47,114,251	3,129,524	(43,345)	50,200,430
Governmental activities capital assets, net	\$ 66,407,185	\$ 12,253,981	\$ (43,345)	\$ 78,617,821
Business - type activities:				
Non-depreciable assets:				
Land	\$ 1,042,324	\$ -	\$ -	\$ 1,042,324
Depreciable assets:				
Improvements to land	2,332,748	-	-	2,332,748
Buildings and equipment	35,472,297	894,915	-	36,367,212
Totals at historical cost	37,805,045	894,915	-	38,699,960
Less accumulated depreciation	(19,127,492)	(1,120,941)	-	(20,248,433)
Total depreciable assets	18,677,553	(226,026)	-	18,451,527
Business-type activities capital assets, net	\$ 19,719,877	\$ (226,026)	\$ -	\$ 19,493,851

Depreciation was charged to functions/programs as follows:

Governmental activities:	
General Government	\$ 84,645
Development Services	196,426
Engineering	52,071
Police	885,438
Fire	715,676
Public Works	590,980
Parks and recreation	1,786,051
Subtotal	<u>4,311,287</u>
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>1,219,726</u>
Total depreciation expense - Governmental activities	<u><u>\$ 5,531,013</u></u>
Business type - activities	
Water and sewer	\$ 1,206,234
Aquaculture	<u>6,702</u>
Total depreciation expense - Business type activities	<u><u>\$ 1,212,936</u></u>

TOWN OF DAVIE, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004
(Continued)

F. ACCRUED PAYROLL

The Town has accrued the following amounts in the indicated funds as expenses or expenditures for payroll, which had been earned by the employees but had not been paid to the Town's employees as of September 30, 2004.

General fund	\$ 3,871,439
Community Redevelopment Agency	12,093
Information systems fund	104,104
Water and sewer fund	562,325
Capital projects fund	62,014
Total	<u>\$ 4,611,975</u>

G. ACCRUED UNBILLED WATER AND SEWER REVENUE

For the year ended September 30, 2004, the Town recorded revenues of \$236,031 in the Water and Sewer Fund for water consumption and wastewater treatment, which had not yet been billed to customers in that system. This accrued unbilled revenue results from a billing period, which is different than the accounting period.

H. RESTRICTED ASSETS

At September 30, 2004, the Town had \$4,169,667 in restricted pooled cash and cash equivalents. This balance is composed of three items. First, in August 2003, the Town issued \$26,305,000 Water and Sewer Improvement and Refunding Bonds. The Bond Indenture requires that the Town set up a rate stabilization fund with an initial amount of \$750,000. The Town can utilize \$250,000 per year starting in 2004 to fund operating expenses. Secondly, the Town established a revenue generation system whereby beginning in fiscal year 1990, and for the next 30 years, the Town is required to set aside an annual deposit of \$283,221 for capital expenditures related to renewal and replacement of its water and sewer plants which was incorporated into the Series 2003 Bond Indenture. The funds shall be used only for sanitary sewerage system capital improvements and may be withdrawn and used anytime for this purpose. Since such withdrawn funds represent previously collected revenues (and income earned thereon), the amount of withdrawn funds need not be replaced or returned to the capital improvement account. As of September 30, 2004, the restricted amount related to this revenue generation system was \$2,467,408. The Town utilized \$808,850 for allowed items during the fiscal year ended September 30, 2004. Cash held as customer deposits is the third item. As of September 30, 2004, the Town held \$952,259 in customer deposits.

The restricted receivables represent amounts due from developers for construction of water and sewer lines in their developments. The receivable is restricted for cost of construction.

I. COMPENSATED ABSENCES

The Town accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

Employees are paid for all accumulated vacation days and compensatory leave for overtime at 100% of their prevailing rate of pay at the time their employment terminates. Sick leave is paid at 50% the balance at the prevailing rate of pay at the time their employment terminates.

TOWN OF DAVIE, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004
(Continued)

J. LONG-TERM LIABILITIES

Governmental Activities

	Balance September 30, 2003	Additions	Reductions	Balance September 30, 2004	Due Within One Year
Bonds and Notes Payable					
Note payable	\$ 473,676	\$ -	(210,528)	\$ 263,148	\$ 210,519
General Obligation Bonds 1989	9,000,000	-	(250,000)	8,750,000	500,000
Public Improvement Revenue Bonds, Series 1993A	2,181,835	-	(363,633)	1,818,202	363,633
Special Obligation Bonds, Series 1995	350,000	-	(350,000)	-	-
Public Improvement Revenue Bonds, Series 1996	1,609,250	-	(449,000)	1,160,250	280,250
General Obligation Bonds, Series 1997	7,801,110	-	(419,641)	7,381,469	443,265
General Obligation Bonds, Series 1998	9,114,668	-	(302,995)	8,811,673	336,295
Public Improvement Revenue Bonds, Series 1999	3,665,000	-	(445,000)	3,220,000	445,000
General Obligation Bonds, Series 1999	1,866,250	-	(57,500)	1,808,750	67,500
Public Improvement Revenue Bonds, Series 2001	9,335,000	-	(665,000)	8,670,000	665,000
	<u>45,396,789</u>	<u>-</u>	<u>(3,513,297)</u>	<u>41,883,492</u>	<u>3,311,462</u>
Other Liabilities					
Compensated absences	4,940,862	315,633		5,256,495	607,816
	<u>\$ 50,337,651</u>	<u>\$ 315,633</u>	<u>\$ (3,513,297)</u>	<u>\$ 47,139,987</u>	<u>\$ 3,919,278</u>

For governmental activities, compensated absences are generally liquidated by the general fund.

1. \$4.2 million note payable to banking institution, 15-year amortization, due 2006, variable rate of 67% of one month LIBOR rate plus .8%, which, at September 30, 2003 was 2.033%. This note will be repaid by the General Fund from legally available non-ad valorem revenues and special assessment collections. If any shortfall occurs in the collection of special assessments from property owners, the Town is obligated to repay the bonds from legally available non-ad valorem revenues. However, there is no reserve or sinking fund requirement.

Fiscal Year Ended September 30,	Principal	Interest	Total
2005	\$ 210,516	\$ 3,388	\$ 213,904
2006	52,632	178	52,810
	<u>\$ 263,148</u>	<u>\$ 3,566</u>	<u>\$ 266,714</u>

TOWN OF DAVIE, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004
(Continued)

J. LONG-TERM LIABILITIES (Continued)

Governmental Activities (Continued)

2. \$10.0 million General Obligation Bonds 1989, 30-year amortization, due 2019, variable rate of 67% of one month LIBOR rate plus .7%, which, at September 30, 2003 was 1.933%. Property tax revenues of the General Fund are pledged to repay this bond issue.

Fiscal Year Ended September 30,	Principal	Interest	Total
2005	\$ 500,000	\$ 169,120	\$ 669,120
2006	500,000	159,456	659,456
2007	500,000	149,792	649,792
2008	500,000	140,128	640,128
2009	500,000	130,464	630,464
2010-2014	2,500,000	507,360	3,007,360
2015-2019	3,750,000	217,440	3,967,440
	<u>\$ 8,750,000</u>	<u>\$ 1,473,760</u>	<u>10,223,760</u>

3. \$4.7 million Public Improvement Revenue Bonds, Series 1993A, 14-year amortization, due December 2008, variable rate of 67% of one month LIBOR plus .8% which, at September 30, 2003 was 1.921%. Franchise fees, sales tax, and public service tax revenues of the General Fund are pledged to repay this bond issue.

Fiscal Year Ended September 30,	Principal	Interest	Total
2005	\$ 363,633	\$ 36,960	\$ 400,593
2006	363,633	29,568	393,201
2007	363,633	22,177	385,810
2008	363,633	14,785	378,418
2009	363,670	7,393	371,063
	<u>\$ 1,818,202</u>	<u>\$ 110,883</u>	<u>\$ 1,929,085</u>

4. \$5.0 million Public Improvement Revenue Bonds, Series 1996, 15-year amortization, due December 31, 2011, fixed rate of 4.59% per annum. Franchise fees, public service taxes and local government half-cent sales taxes are pledged to repay this bond issue.

Fiscal Year Ended September 30,	Principal	Interest	Total
2005	\$ 280,250	\$ 48,061	\$ 328,311
2006	224,000	37,175	261,175
2007	146,000	27,424	173,424
2008	120,000	21,615	141,615
2009	120,000	16,030	136,030
2009-2011	270,000	31,706	301,706
	<u>\$ 1,160,250</u>	<u>\$ 182,011</u>	<u>\$ 1,342,261</u>

TOWN OF DAVIE, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004
(Continued)

J. LONG-TERM LIABILITIES (Continued)

Governmental Activities (Continued)

5. \$9.8 million General Obligation Bonds, Series 1997, 20-year amortization, due February 1, 2017, fixed rate of 4.74% per annum. Property tax revenues of the General Fund are pledged to repay this bond issue.

Fiscal Year Ended September 30,	Principal	Interest	Total
2005	\$ 443,265	\$ 345,615	\$ 788,880
2006	463,955	324,925	788,880
2007	486,638	302,242	788,880
2008	509,665	279,215	788,880
2009	533,932	254,948	788,880
2010-2014	3,096,401	848,000	3,944,401
2015-2017	1,847,613	124,586	1,972,199
	<u>\$ 7,381,469</u>	<u>\$ 2,479,531</u>	<u>\$ 9,861,000</u>

6. \$10.0 million General Obligation Bonds, Series 1998, 20-year amortization, due 2018, fixed rate of 4.19% per annum. Property tax revenues of the General Fund are pledged to repay this bond issue.

Fiscal Year Ended September 30,	Principal	Interest	Total
2005	\$ 336,295	\$ 362,953	\$ 699,248
2006	371,611	349,101	720,712
2007	409,046	333,794	742,840
2008	448,708	316,946	765,654
2009	490,711	298,463	789,174
2010-2014	3,174,116	1,150,875	4,324,991
2015-2018	3,581,185	382,229	3,963,414
	<u>\$ 8,811,672</u>	<u>\$ 3,194,361</u>	<u>\$ 12,006,033</u>

TOWN OF DAVIE, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004
(Continued)

J. LONG-TERM LIABILITIES (Continued)

Governmental Activities (Continued)

7. \$5.0 million Public Improvement Revenue Bonds, Series 1999, 15-year amortization, due 2015, variable rate of 73.9% of one month LIBOR which, at September 30, 2003 was 1.360%. Legally available non-ad valorem revenues of the General Fund will be used to repay this bond issue.

Fiscal Year Ended September 30,	Principal	Interest	Total
2005	\$ 445,000	\$ 166,061	\$ 611,061
2006	400,000	142,775	542,775
2007	400,000	121,019	521,019
2008	300,000	101,302	401,302
2009	300,000	84,985	384,985
2010-2014	1,180,000	206,276	1,386,276
2015	195,000	6,629	201,629
	<u>\$ 3,220,000</u>	<u>\$ 829,046</u>	<u>\$ 4,049,046</u>

8. \$2.0 million General Obligation Bonds, Series 1999, 20-year amortization, due 2020, variable rate of 73.9% of one month LIBOR rate which, at September 30, 2003 was 1.360%. Property tax revenues of the General Fund are pledged to repay this bond issue.

Fiscal Year Ended September 30,	Principal	Interest	Total
2005	\$ 67,500	\$ 92,447	\$ 159,947
2006	76,250	72,917	149,167
2007	81,250	47,354	128,604
2008	87,500	18,153	105,653
2009	97,500	20,345	117,845
2010-2014	590,000	79,665	669,665
2015-2018	545,000	33,246	578,246
2019-2020	263,750	5,167	268,917
	<u>\$ 1,808,750</u>	<u>\$ 369,294</u>	<u>\$ 2,178,044</u>

9. \$10.0 million Public Improvement Revenue Bonds, Series 2001, 15-year amortization, due 2016, bearing interest at 66.5% of the one month LIBOR, plus .675%, at September 30, 2003 was 1.899%.

Fiscal Year Ended September 30,	Principal	Interest	Total
2005	\$ 665,000	\$ 164,609	\$ 829,609
2006	665,000	151,983	816,983
2007	665,000	139,357	804,357
2008	665,000	126,732	791,732
2009	665,000	114,106	779,106
2010-2014	3,325,000	381,144	3,706,144
2015-2017	2,020,000	77,178	2,097,178
	<u>\$ 8,670,000</u>	<u>\$ 1,155,108</u>	<u>\$ 9,825,108</u>

TOWN OF DAVIE, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004
(Continued)

J. LONG-TERM LIABILITIES (Continued)

Governmental Activities (Continued)

Summary of Governmental Activities Bonds and Notes Payments:

Fiscal Year Ended September 30,	Principal	Interest	Total
2005	\$ 3,311,459	\$ 1,389,213	\$ 4,700,672
2006	3,117,081	1,268,078	4,385,159
2007	3,051,567	1,143,158	4,194,725
2008	2,994,506	1,018,875	4,013,381
2009	3,070,813	926,734	3,997,547
2010-2014	14,135,517	3,205,026	17,340,543
2015-2019	11,938,799	841,309	12,780,108
2020-2021	263,750	5,167	268,917
Total	<u>\$ 41,883,492</u>	<u>\$ 9,797,561</u>	<u>\$ 51,681,053</u>

Business - Type Activities

	Balance September 30, 2003	Additions	Reductions	Balance September 30, 2004	Due Within One Year
Bonds and Notes Payable					
Water and Sewer	\$ 26,305,000	\$ -	\$ -	\$ 26,305,000	\$ 1,135,000
Less deferred amount on refunding	(10,356,999)	-	941,545	(9,415,454)	
Total bonds and notes payable	<u>15,948,001</u>	<u>-</u>	<u>941,545</u>	<u>16,889,546</u>	<u>1,135,000</u>
Compensated absences	304,649	36,037	-	340,686	30,000
Total	<u>\$ 16,252,650</u>	<u>\$ 36,037</u>	<u>\$ 941,545</u>	<u>\$ 17,230,232</u>	<u>\$ 1,165,000</u>

\$26,305,000 Water & Sewer Refunding Bonds, Series 2003, 17-Year amortization, due 2020, bearing interest at fixed rates of 2% and 4.65%.

Fiscal Year Ended September 30,	Principal	Interest	Total
2005	\$ 1,135,000	\$ 971,730	\$ 2,106,730
2006	1,235,000	947,030	2,182,030
2007	1,260,000	921,830	2,181,830
2008	1,285,000	892,918	2,177,918
2009	1,315,000	858,399	2,173,399
2010-2014	7,200,000	3,569,650	10,769,650
2015-2019	8,750,000	1,865,931	10,615,931
2020-2021	4,125,000	97,588	4,222,588
Total	<u>26,305,000</u>	<u>\$10,125,075</u>	<u>\$36,430,075</u>
Less deferred amount on	<u>(9,415,454)</u>	-	
	<u><u>\$16,889,546</u></u>		

TOWN OF DAVIE, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004
(Continued)

J. LONG-TERM LIABILITIES (Continued)

Business – Type Activities (Continued)

During the fiscal year ended September 30, 2003, the Town issued \$26,305,000 Water and Sewer Refunding Bonds, Series 2003 for the purpose of providing funds, together with other legally available funds of the Town, to refund and defease the outstanding amount of the Town's \$38,665,000 Water and Sewer Improvement and Refunding Revenue Bonds, Series 1992. The Series 2003 Bonds have a 17-year amortization, due 2020, with fixed rates of 2% to 4.65% per annum.

The Bond Indenture has certain covenants related to the operation of the Water and Sewer Fund and the establishment of a renewal and replacement fund and a rate stabilization fund. The Bond Indenture provides for a surety bond to be obtained in place of funding for the Debt Service Reserve Fund (the "Reserve Fund"). The Debt Service Reserve Fund Surety Bond constitutes a Debt Service Reserve Fund Insurance Policy under the Bond Indenture. The Town has obtained the required bonding and is in compliance with the reserve requirement.

As of September 30, 2003 the amount outstanding related to the defeased Series 1992 Bonds was \$28,535,000.

K. FUND EQUITY

Reservations of fund balances of governmental funds are established to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriated for future expenditures. Specific reservations of the fund balance accounts are summarized below.

Reserve for Capital Projects: The reserve for capital projects was created to represent amounts borrowed for various capital projects not yet completed.

Reserve for Debt Service: The reserve for debt service was created to represent amounts collected by levy that can only be used to repay outstanding debt issues.

Reserve for Encumbrances: The reserve for encumbrances was created to represent encumbrances outstanding at the end of the year based on purchase orders not completed as of September 30, 2004.

Reserve for Law Enforcement Forfeitures: The reserve for law enforcement was created to represent court awarded forfeiture property that is restricted as to its use.

Reserve for Development Services – Building: The reserve for Development Services, Building was created to represent fees collected by the Building Division that have not yet been spent for the Town's Building Division.

Reserve for Development Services – Engineering: The reserve for Development Services, Engineering was created to represent fees collected by the Engineering Division that have not yet been spent for the Town's Engineering Division.

Reserve for Police Impact Fees: The reserve for police impact fees was created to represent impact fees collected on development that have not yet been spent for the Town's police department.

Reserve for Fire Impact Fees: The reserve for fire impact fees was created to represent impact fees collected on development that have not yet been spent for the Town's fire department.

TOWN OF DAVIE, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004
(Continued)

K. FUND EQUITY (Continued)

Reserve for Open Space Program: The reserve for open space was created to represent impact fees collected on development that have not yet been spent for the Town's Open Space Program.

Reserve for Resurfacing Orange Drive: The reserve is for money received from Broward County which is to be used specifically for resurfacing Orange Drive.

Reserve for Community Redevelopment Agency: The reserve for the Community Redevelopment Agency (CRA) was created to represent tax increments and other revenues that can only be used in the Town's CRA district.

L. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has established a Self-Insurance Fund (an internal service fund) to account for and finance its insured and uninsured risks of loss. Effective July 1, 2002 the Town became self insured for health benefits. Effective October 1, 2002, the Town joined South East Risk Management Association a Public Entity Risk Pool (Risk Pool) for property and liability exposures. Under this program, the Self-insurance fund provides coverage for the first \$1,000 of property damage. As a result of joining the Risk Pool the Town's risk of loss related to these areas has been transferred to the Risk Pool.

The Town paid \$2,422,386 in premiums to the Risk Pool during the fiscal year ended September 30, 2004. The members of the Risk Pool include six municipalities who have entered into an interlocal agreement related to the Risk Pool. Members are subject to supplemental assessments in the event of deficiencies except that to the extent that deficiencies result from a specific claim against a member in excess of the reinsurance available. Individual member municipalities have no claim to Risk Pool surpluses or budgetary authority.

There were no significant reductions in coverages from the prior fiscal year. The Town purchases insurance for exposures not covered by the Fund and for all other risks of loss. During the past three fiscal years, no settlements exceeded the coverage provided by this insurance.

Amounts are paid into the Self-Insurance Fund by all other funds and are available to pay claims, premiums and administrative costs of the program.

M. LITIGATION, COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS

Litigation

The Town is involved in various pending lawsuits incidental to its operations. In the opinion of management, any potential losses resulting from claims against the Town, not covered by insurance would not have a material adverse effect on the financial position of the Town.

Commitments

A construction commitment is defined as the difference between the contract price of a project and the amount paid on that contract. Outstanding general government construction commitments at September 30, 2004 are approximately \$3.9 million for projects that are all fully funded.

TOWN OF DAVIE, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004
(Continued)

M. LITIGATION, COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS (Continued)

Commitments (Continued)

As a prerequisite for approval of development plats, the Town requires developers to install certain infrastructure elements (roadways, drainage, sidewalks, lighting, landscaping, etc.) that accrue to a development as a whole. Should the developer fail to install the required infrastructure, the Town would be obliged to complete the amenities. To eliminate the financial risk that may exist, the Town also requires the developer to guarantee, through reliable third parties, the amount of money that would be necessary to complete the project. At September 30, 2004, the Town held the following guarantees from various financial institutions for developers' infrastructure requirements:

Irrevocable letters of credit	\$ 20,504,428
Surety bonds	24,801,267
Cash bonds	377,287
Total guarantees held	<u>\$ 45,682,982</u>

In 1985, the Town and the City of Cooper City entered into an inter-local agreement, which provided that both municipalities would jointly construct and maintain a wastewater transmission line that would connect to the City of Hollywood's wastewater treatment facilities. The respective municipalities of Davie and Cooper City treat the effluent that is received by Hollywood. The Town owns and is responsible for two-thirds of the jointly owned facility. Cooper City participates in the remaining one-third.

The Town has entered into contractual agreements with Florida Power and Light Company (FPL) to provide maintenance to certain streetlights within the Town. Each agreement is initially for a term of ten years with automatic, successive five-year extensions until terminated. The Town's existing commitment to FPL, as of September 30, 2004, is approximately \$1,000,000.

Contingencies

The Town is obligated to provide post employment health care benefits to its employees (and their dependents) during the period after they retire from service to the Town. The Town is required by State statutes to offer its retiring employees continued coverage under the same health and hospitalization coverage as is offered to active employees. The statutes also limit the amount that the Town may charge the retiree as a premium. The retirees are required to pay 100% of the monthly premiums as calculated for the Town's employee group, but this amount is lower than the true actuarial premium otherwise chargeable. This shortfall must be covered by the Town and, therefore, creates a long-term obligation on the part of the Town to subsidize the coverage for all retiring employees and their dependents. Inflation and other trends in health care costs increase this subsidy substantially over time. There is no current statutory requirement to advance-fund the Town's subsidy of retiree health benefits. The Town estimates the liability to be approximately \$655,000, which was fully funded for in the Self-Insurance Fund as of September 30, 2004.

The Town has certain debt issuances, which may be subject to arbitrage rebate in accordance with federal tax laws. Any rebate liability is due after the fifth year of each respective bond's issuance. No rebate was due as of September 30, 2004.

Conduit Debt

During the fiscal year ended September 30, 2004, the Town issued \$24,475,000 Variable Rate Demand Revenue Bonds, Series 2003 of conduit debt which was transferred to United Jewish Community Center of Broward County, Inc.

TOWN OF DAVIE, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004
(Continued)

M. LITIGATION, COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS (Continued)

Subsequent Events

Subsequent to year end the Town purchased a parcel of land for approximately \$3.6 million the amount was financed from the Water and Sewer Fund with a loan to the Capital Projects Fund.

Subsequent to fiscal year end (in December 2004), the Town issued \$10,000,000 Variable Rate Public Improvement Revenue Bonds, Series 2004. The bonds were issued to finance or reimburse the Town for the cost of acquisition, construction and equipping of certain capital improvements.

N. DEFINED CONTRIBUTION PLAN

The Town of Davie is a single employer that contributes to the Town of Davie Money Purchase Plan (Plan), which is a defined contribution pension plan. The Plan covers all eligible full time employees not covered by the Police or Fire Pension Plans. At September 30, 2004, there were 188 plan members. Contributions for fiscal year ended September 30, 2004 for the Plan were \$749,259 (representing \$9,939,102 in covered payroll). Total payroll for the Town for the year was \$36,196,036.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive.

Under a defined contribution pension plan, the benefits a participant will receive depends solely on the amount contributed to the participant's account, the returns earned on investments on those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. The Plan provides for two contribution rate levels based on job classifications. For full-time managers, professionals, and certain technical non-unionized personnel, the Town is required to contribute an amount equal to 10% of the employees' gross earnings. The employees must contribute 1.4% of their pretax pay to the plan; however, under IRC 401(a), the Town has elected to "pick-up" the employees' mandatory contribution. The Town has no liability to the employees covered by this plan other than the employer contribution to the plan. For all other employees covered by the Plan, the Town is required to contribute 6% of the employees' gross earnings and the employees contribute 3%. Employees hired before January 1, 1996 are 100% vested for all amounts contributed. Employees hired after January 1, 1996 are vested 100% for Town contributions after five years of eligible service. These contribution rates are established in the plan documents which were adopted by resolution of the Town Council and which may be amended only by the Town Council. Members share equal risk with other general creditors of the Town in the unlikely event these assets would be needed to pay for liabilities of the Town.

O. PENSION PLAN INFORMATION

1. Summary of Significant Accounting Policies

Basis of Accounting

The Firefighters' Pension Plan, Police Pension Plan and the Management and General Employees are accounted for on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Town contributions are recognized when due and the Town has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plans.

TOWN OF DAVIE, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004
(Continued)

O. PENSION PLAN INFORMATION (Continued)

1. Summary of Significant Accounting Policies (Continued)

Method Used to Value Investments

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price. Net depreciation in fair value of investments includes realized and unrealized gains and losses. Realized gains and losses are determined on the basis of specific cost. Dividends and interest income are recognized as earned. Purchases and sales of investments are recorded on a trade-date basis.

2. Plan Description and Contribution Information

Firefighters' Pension Plan

The following brief description of the Firefighters' Pension Plan is provided for general information purposes only. The Firefighters' Pension Plan was established by Town Ordinance 80-42 and has subsequently been amended from time to time by the Town Council. Participants should refer to the Plan documents for more complete information. Additionally, a separate public employee retirement system annual report for the Firefighters' Pension Plan is publicly available from the Town of Davie Budget and Finance Department, 6591 Orange Drive, Davie, Florida 33314.

Plan Description

The Town is the sponsor of a single-employer, Public Employee Retirement System (PERS). This defined benefit pension plan covers substantially all of the Town's firefighters. The PERS is considered part of the Town's financial reporting entity and is therefore included in this financial report as a pension trust fund. The latest available actuarial report is as of October 1, 2003.

All full time firefighters are eligible to participate in the Plan. Employees who have completed 10 or more years of service are entitled to benefits of 3% of their average monthly earnings times the number of years and completed months of continuous service for the first twenty years, plus 2% of the next ten years thereafter.

On July 1, 1998, the Plan adopted the Deferred Retirement Option Plan (DROP) under Resolution R-98-229. The Resolution as amended in December 1998 by Resolution R-98-374 allows eligible employees to participate in the DROP for a maximum of five years. Upon election to participate in the DROP, monthly retirement benefits that would have been payable had the member terminated employment and elected to receive monthly pension payments it made into the member's DROP account. DROP payments contributed to a member's DROP account earn or lose interest at the same rate and frequency as in the Plan, less reasonable and necessary administrative expenses. No benefit payments are made from a member's DROP account during their participation in the DROP. Benefits are paid upon termination.

The Plan also provides for disability and death benefits. Active employees who become disabled receive 66.7% of their earnings, if the disability is service related. If an active employee dies, his or her spouse receives 50% of the employees' average monthly earnings until the spouse either dies or remarries. Each unmarried child that is not a student receives 5% of the employee's earnings until age 18. For unmarried children that are students, the benefits continue until the earlier of death, marriage, or until age 22. The maximum family benefit is 60% of the employee's earnings.

TOWN OF DAVIE, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004
(Continued)

O. PENSION PLAN INFORMATION (Continued)

2. Plan Description and Contribution Information (Continued)

Firefighters' Pension Plan (Continued)

Participants immediately vest in 100% of their contributions and related earnings. Benefits vest at 100% after the participant has attained 10 years of credited service.

Plan provisions are established by the Town Council. Changes to established provisions require a majority vote of the Council.

Employee membership data at October 1, 2003 was as follows:

Inactive employees:	
Retirees and beneficiaries currently receiving benefits	21
Deferred vested members	19
Active plan participants	101
Total	<u>141</u>

Funding Policy

Firefighters' Pension Plan members are required to contribute 7% of their base compensation. Included in the contribution for 2004 is \$80,346 relating to retroactive 2% increase for the September 30, 2003 fiscal year. The State contributes pursuant to Chapter 175 of the Florida Statutes, a premium tax on certain casualty insurance contracts written on Town of Davie properties. The premium tax is collected by the State and remitted to the Town. The Town contributions are based upon actuarially determined amounts, which together with earnings, plan member and State contributions, are sufficient to fund the Firefighters' Pension Plan. Beginning in October 2003, a member is allowed to buy back up to a maximum of four years of total prior military or firefighter service at an actuarial equivalent cost.

Police Employees Pension Trust Fund

The following brief description of the Police Employees Pension Trust Fund is provided for general information purposes only. The Police Pension Plan was established by Town Ordinance 76-13 and has subsequently been amended from time to time by the Town Council. Participants should refer to the Plan documents for more complete information. Additionally, a separate public employee retirement system annual report for the Police Pension Plan is publicly available from the Town of Davie Budget and Finance Department, 6591 Orange Drive, Davie, Florida 33314.

Plan Description

The Town is the sponsor of a single-employer, Public Employee Retirement System (PERS). This defined benefit pension plan covers substantially all of the Town's police officers. The PERS is considered part of the Town's financial reporting entity and is therefore included in this financial report as a pension trust fund. The latest available actuarial report is as of October 1, 2003.

TOWN OF DAVIE, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004
(Continued)

O. PENSION PLAN INFORMATION (Continued)

2. Plan Description and Contribution Information (Continued)

Police Employees Pension Trust Fund (Continued)

Normal Retirement

Any member may retire the earlier of the date on which they attain 20 years of credited service or the date on which they attain age 55. A member has vested benefits after 10 years of continuous service.

Upon retirement, a member will receive a monthly benefit amount equal to the number of years of credited service multiplied by 3% of final average earnings for the first 10 years of service plus 4% for the next 10 years of service (3% for the next 20 years of service prior to October 1, 2003) plus 2% per year for the next ten years of service with an 90% (80% prior to October 1, 2003) maximum of the final average earnings. However, after 40 years of service, benefits shall recommence at a rate of 2% of final average earnings per year.

The member's benefits commence on the first day of the month following their retirement date and are continued until their death. A member with the consent of the Town may continue to work beyond their normal retirement date and retire on any subsequent first day of the month.

Early Retirement

Any member who has completed 10 years of credited service and attained age 50 may retire early, with the consent of the Town.

Upon early retirement, a member will receive a monthly benefit amount equal to the number of years of credited service at that date, multiplied by 3% of final average earnings for the first 10 years of service plus 4% for the next 10 years of service (3% for the next 20 years of service prior to October 1, 2003) plus 2% per year for the next ten years of service, reduced actuarially to reflect earlier receipt of payment. The member also has the option of deferring the commencement of his normal retirement date, the earlier of the date he would have attained 20 years of benefit service provided he has completed 15 years of actual service or age 55. In such case, there would be no actuarial reduction to his monthly benefit.

Deferred Retirement Option Plan

A member may enter into the police officers' Deferred Retirement Option Plan (DROP) on the first day of any month after completing 20 years of credited service and becoming eligible to receive a service retirement pension. The DROP is administered by the Police Officers' Pension Board of Trustees. The rate of return earned by the Plan is the same as that earned by the Fund less a \$10 per month adjustment for expenses. Once a member enters the DROP, their monthly retirement benefit is frozen, and their monthly benefit is paid into their DROP account. Upon termination of employment, the balance in the member's DROP account, including interest, is payable to them and they also begin to receive their (frozen) monthly retirement benefit.

TOWN OF DAVIE, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004
(Continued)

O. PENSION PLAN INFORMATION (Continued)

2. Plan Description and Contribution Information (Continued)

***Police Pension Plan* (Continued)**

Disability

Any member who receives a medically substantiated service connected disability as determined by the pension board will receive a monthly benefit equal to 66-2/3% of such members base pay at time of disability, less any applicable benefits payable by Federal Old Age, Survivors and Disability Insurance, Workers' Compensation benefits or other disability benefits payable from Broward County or the Town or 42% of the final average earnings payable as a ten year certain and life annuity. If the disability is non-service connected, a member will receive a monthly benefit of the greater of \$100 or 1.50% of final average earnings multiplied by the number of years of benefit service at their date of disability.

Benefits are payable beginning in the month following the later of (1) the date when the disability has existed for six months, and (2) the date when the Board makes its determination that the member has incurred a disability.

Employee membership data at October 1, 2003 was as follows:

Inactive employees:	
Retirees and beneficiaries currently receiving benefits	33
Terminated employees entitled to benefits but not yet receiving them	-
Deferred vested members	-
Active plan participants	159
Total	<u>192</u>

Death Benefits

If, prior to retirement, death is non-service connected or member had no spouse to whom he had been married for at least one (1) year prior to death, the death benefit shall be the return of accumulated employee contributions plus prior plan benefits, if any. If death is service-connected and member has an eligible spouse, such spouse shall be entitled to a monthly annuity equal to 50% of the member's base pay at a member's date of death. Such pension shall continue to the spouse until the earlier of the spouse's death or remarriage, with a guarantee that such benefits will at least equal the member's accumulated contributions at member's date of death.

Upon death of a retired member, a death benefit of the accumulated contributions at date of retirement less benefits paid to date of death shall be returned.

Funding Policy

Police Pension Plan members are required to contribute 7% (6.5% prior to October 9, 2003) of their basic compensation. The State is required to contribute pursuant to Chapter 185 of the Florida Statutes, a premium tax on certain casualty insurance contracts written on Town of Davie properties. The premium tax is collected by the State and remitted to the Town. The Town's contributions are based upon actuarially determined amounts, together with earnings, plan member and state contributions, are sufficient to fund the Police Pension Plan.

TOWN OF DAVIE, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004
(Continued)

O. PENSION PLAN INFORMATION (Continued)

2. Plan Description and Contribution Information (Continued)

Management and General Employees Plan

The following brief description of the Management and General Employees Pension Trust is provided for general information purposes only. The management and General employee Plan was established by Town Ordinance 2004-2. Participants should refer to the Plan documents for more complete information.

Plan Description

On October 1, 2003 the Town council of created, under the laws of the State of Florida, a single-employer defined benefit pension plan. The plan covers substantially all management and general employees. Management level employees town administrator, assistant town administrator, directors, police and fire chief, deputy police and fire chief, town clerk, deputy town clerk, redevelopment administrator and assistant directors. General employees are full-time employees not classified as management and are not otherwise restricted. The plan is administered by the Florida Municipal Investment Trust fund ("FMITF"). The Plan is considered part of the Town's financial reporting entity and is therefore included in this financial report as a pension trust fund.

The plan's initial actuarial report was prepared as of October 1, 2004.

Employee membership data at October 1, 2004 was as follows:

Inactive employees:

Retirees and beneficiaries currently receiving benefits	1
Terminated employees entitled to benefits but not yet receiving them	-
Active plan participants	<u>136</u>
Total	<u><u>137</u></u>

Normal Retirement

Management level employees are eligible for benefits after attaining age 52 and three years of vested service or age 48 and twenty years of service. General employees are eligible for benefits after attaining age 60 and six years of vested service or age 56 and thirty years of vested services.

Normal benefits for management level employees are equal to the number of years of vested service multiplied by the final monthly compensation and multiplied by 3%. Final monthly compensation, for management, means the one-twelfth of the employee's highest average earnings during the best three years of creditable service. Normal benefits for general level employees are equal to the number of years of creditable service multiplied by the final monthly compensation and multiplied by 2%. Final monthly compensation, for general employees, means one-twelfth of the highest average earnings during the best five years of credible services.

TOWN OF DAVIE, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004
(Continued)

O. PENSION PLAN INFORMATION (Continued)

2. Plan Description and Contribution Information (Continued)

Management and General Employees Plan (Continued)

Disability Benefit

Management employees that have completed three years of vested service that are deemed permanently disabled, will receive their accrued benefit. If the vested service is less than the three years, the employee will receive their employee contribution plus a 6% percent return there on.

General employees that have completed six years of vested service that are deemed permanently disabled, will receive their accrued benefit. If the employee's vested service is less than six years, the employee will receive their employee contribution plus a 6% return there on.

Death Benefit

Beneficiaries of management employees that die prior to the normal retirement date, and completed three years of vested service, will receive the benefit otherwise payable to the member at the members normal retirement date. If the employee dies prior to completion of three years of vested service, the beneficiary will receive a 100% refund of the members accumulated contributions.

Beneficiaries of general employees that die prior to the normal retirement date, and completed six years of vested service, will receive the benefit otherwise payable to the member at the members normal retirement date. If the employee dies prior to completion of six years of vested service, the beneficiary will receive a 100% refund of the members accumulated contributions.

Funding Policy

The Town provides all funding required for the plan, based on actuarial determined amounts. The Town is required to make contribution to the trustee, at least on a quarterly basis. Employees are not required to make any contributions. However, plan members that were employed prior to October 1, 2003 there are entitles to buy-back all of their years of service with the Town, and up to five years of service with a federal government, state government, county government, or city government. Participants that were hired subsequent to October 1, 2003 can purchase up to five years of credited service, prior to the completion of 12 months of service with the Town.

TOWN OF DAVIE, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004
(Continued)

O. PENSION PLAN INFORMATION (Continued)

3. Annual Pension Cost and Net Pension Obligation (Asset)

The Town's annual pension costs for the Firefighters, Police and Management and General Employee plans for the current year were as follows:

	Firefighters	Police	Management & General Employees
Annual pension cost	\$ 1,813,022	\$ 3,123,244	\$ 1,080,337
Contributions made	2,091,283	3,311,854	3,078,100

The required contributions for the current year were determined by the Firefighters October 1, 2003 actuarial valuation and the Police October 1, 2003 actuarial valuation using the frozen entry age actuarial cost method. The required contributions for the current year for Management and General Employees were estimated based on the annual payroll for covered employees. The actuarial assumptions for the Firefighters valuation included (a) 8.5% investment rate of return and (b) projected salary increases of 6.5%. Both (a) and (b) included an inflation component of 4.0%. The method used for valuing assets phases in the deviation between the expected and actual return on assets at a rate of 25% annually and will be further adjusted to the extent necessary to fall within the corridor whose lower limit is 80% of the fair market value of plan assets and whose upper limit is 120% of the fair market value of plan assets. The actuarial assumptions for the Police valuation included (a) 8.0% investment rate of return and (b) projected salary increases of 6.5%. Both (a) and (b) included an inflation component of 4.0%. Assets were valued at 50% of cost value plus 50% of market value, but not more than 120% of market value nor less than 80% of market value. The actuarial assumptions for the Management and General valuation included (a) 8.0% investment rate of return and (b) projected salary increases of 5.8%. Both (a) and (b) included an inflation component of 3.75%. Assets were valued at market value,

4. Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Three-year information for the years ended September 30, is presented as follows:

	Firefighters		
	2004	2003	2002
Annual pension cost (APC)	\$ 1,813,022	\$ 1,466,241	\$ 1,191,415
Percentage of APC contributed	115%	113%	109%
	Police		
	2004	2003	2002
Annual pension cost (APC)	\$ 3,123,244	\$ 2,427,655	\$ 1,952,361
Percentage of APC contributed	106%	136%	106%
	Management and General		
	2004		
Annual pension cost (APC)	\$ 1,080,337		
Percentage of APC contributed	285%		

Contributions to the all three plans were made in accordance with actuarially determined requirements. Six-year historical trend information presenting the progress in accumulating sufficient assets to pay benefits when due is presented in the separately issued financial statements for the Police and Firefighters Pension Plans. Information for General Employee plan is not available.

TOWN OF DAVIE, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004
(Continued)

P. DEFICIT FUND BALANCE

The Capital Project Fund has a deficiency in fund balance of approximately \$1,817,916 as a result of the purchase of land. The Town expects to receive funds from Broward County to reimburse the Town for a portion of the cost of the land. The funds will be recorded as revenue in the Capital Projects Fund to cover the deficiency.

Q. COMPLIANCE

The Town is not in compliance with various reporting requirements required by the Town's bond and finance agreements, the Auditor General of the State of Florida, the Department of Financial Services of the State of Florida and the Federal and State Single Audit Acts.

**REQUIRED SUPPLEMENTARY INFORMATION
(OTHER THAN MD&A)**

TOWN OF DAVIE, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2004

	Original	Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 13,265,950	\$ 13,265,950	\$ 13,779,987	\$ 514,037
Property taxes	26,027,263	26,027,263	24,802,109	(1,225,154)
Utility taxes	5,219,000	5,219,000	5,354,224	135,224
Franchise taxes	5,824,000	5,824,000	6,694,922	870,922
Licenses and permits	5,436,790	5,436,790	7,779,426	2,342,636
Charges for services	6,186,212	6,186,212	6,422,927	236,715
Fines and forfeitures	842,000	842,000	997,596	155,596
Fire rescue assessments	2,711,146	2,711,146	2,669,405	(41,741)
Miscellaneous	1,613,165	1,613,165	1,870,011	256,846
Interest	801,200	801,200	530,867	(270,333)
Total revenues	67,926,726	67,926,726	70,901,474	2,974,748
Expenditures:				
General government:				
Town administration department:				
Personnel services	1,132,096	1,132,096	1,159,301	(27,205)
Operating expenditures	1,101,064	1,101,064	928,007	173,057
	<u>2,233,160</u>	<u>2,233,160</u>	<u>2,087,308</u>	<u>145,852</u>
Budget and finance department:				
Personnel services	951,374	951,374	893,114	58,260
Operating expenditures	1,348,975	1,348,975	841,015	507,960
Capital outlay	3,000	3,000	4,479	(1,479)
	<u>2,303,349</u>	<u>2,303,349</u>	<u>1,738,608</u>	<u>564,741</u>
Administrative services department:				
Personnel services	1,019,387	1,019,387	1,021,238	(1,851)
Operating expenditures	1,678,944	1,678,944	1,350,749	328,195
Capital outlay	11,350	11,350	2,880	8,470
	<u>2,709,681</u>	<u>2,709,681</u>	<u>2,374,867</u>	<u>334,814</u>
Development services department:				
Personnel services	5,942,215	5,942,215	5,541,029	401,186
Operating expenditures	552,879	552,879	671,679	(118,800)
Capital outlay	500	500	(6,609)	7,109
	<u>6,495,594</u>	<u>6,495,594</u>	<u>6,206,099</u>	<u>289,495</u>
Parks and recreation department:				
Personnel services	3,222,858	3,222,858	2,876,830	346,028
Operating expenditures	1,632,244	1,632,244	1,913,125	(280,881)
Capital outlay	25,174	25,174	14,820	10,354
	<u>4,880,276</u>	<u>4,880,276</u>	<u>4,804,775</u>	<u>75,501</u>
Total general government	\$ 18,622,060	\$ 18,622,060	\$ 17,211,657	\$ 1,410,403

(Continued)

TOWN OF DAVIE, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2004
(Continued)

	Original	Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Expenditures:				
Public safety:				
Police department:				
Personnel services	\$ 20,490,685	\$ 20,490,685	\$ 21,301,663	\$ (810,978)
Operating expenditures	2,466,491	2,466,491	2,801,205	(334,714)
Capital outlay	362,800	362,800	357,330	5,470
	<u>23,319,976</u>	<u>23,319,976</u>	<u>24,460,198</u>	<u>(1,140,222)</u>
Fire department:				
Personnel services	14,205,893	14,205,893	12,844,520	1,361,373
Operating expenditures	1,128,377	1,128,377	1,263,532	(135,155)
Capital outlay	-	-	40,565	(40,565)
	<u>15,334,270</u>	<u>15,334,270</u>	<u>14,148,617</u>	<u>1,185,653</u>
Total public safety	<u>38,654,246</u>	<u>38,654,246</u>	<u>38,608,815</u>	<u>45,431</u>
Public works:				
Personnel services	2,492,791	2,492,791	2,458,919	33,872
Operating expenditures	2,505,063	2,505,063	2,868,268	(363,205)
Capital outlay	4,302	4,302	522	3,780
Total public works	<u>5,002,156</u>	<u>5,002,156</u>	<u>5,327,709</u>	<u>(325,553)</u>
Debt service:				
Principal retirements	3,513,297	3,513,297	3,432,297	81,000
Interest	1,905,019	1,905,019	1,229,873	675,146
Total debt service	<u>5,418,316</u>	<u>5,418,316</u>	<u>4,662,170</u>	<u>756,146</u>
Contingencies	<u>229,948</u>	<u>229,948</u>	<u>-</u>	<u>229,948</u>
Total expenditures	<u>67,926,726</u>	<u>67,926,726</u>	<u>65,810,351</u>	<u>2,116,375</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>5,091,123</u>	<u>5,091,123</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	(4,087,893)	(4,087,893)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(4,087,893)</u>	<u>(4,087,893)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>1,003,230</u>	<u>\$ 1,003,230</u>
Fund balance, October 1			<u>24,211,395</u>	
Fund balance, September 30			<u>\$ 25,214,625</u>	

TOWN OF DAVIE, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO BUDGETARY COMPARISON SCHEDULE
YEAR ENDED SEPTEMBER 30, 2003

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

The Town is legally required to adopt an annual budget for its General Fund. In September, formal public hearings are conducted to obtain taxpayers' comments. Prior to October 1, the budget is legally adopted.

The legal level of control, the level at which expenditures may not exceed the budget, is at the department level. The Town Administrator is authorized to transfer budgeted amounts within line items of departments. Any budget amendments between departments or amendments that alter the budget in total must be approved by the Town Council. All unencumbered appropriations lapse at the end of the fiscal period. There were no supplemental appropriations during the fiscal year ended September 30, 2004. Budget revisions made during the year were not material in relation to the original appropriation.

Encumbrances of budgetary accounts are treated as budgeted expenditures in the year of occurrence of the commitment to purchase. Budgetary comparisons presented in this report are made on a budgetary, not a fund financial statement, basis. Therefore, adjustments are necessary to convert budgetary basis expenditures for the year ended September 30, 2004 to a fund financial statement basis:

	<u>General Fund</u>
Net Change in Fund Balance – budgetary basis	\$ 1,003,230
To adjust expenditures for encumbrances	<u>(466,104)</u>
Net Change in Fund Balance – Fund Financial Statements:	<u><u>\$ 537,126</u></u>

NOTE 2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended September 30, 2004, expenditures exceeded appropriations in Public Safety by \$1,140,222 and in Public Works by \$325,553 as presented in the Statement of Revenues and Expenditures – Budget and Actual – General Fund.

TOWN OF DAVIE, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
(In Thousands)
SEPTEMBER 30, 2004

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability Frozen Entry Age (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a) / (c)
<u>FIREFIGHTERS</u>						
10/1/2001	\$ 17,884	\$ 18,637	\$ 753	96.0%	\$ 4,020	18.7%
10/1/2002	17,165	17,989	824	95.4%	3,868	21.3%
10/1/2003	16,955	17,750	775	95.5%	5,013	15.9%
<u>POLICE</u>						
10/1/2001	\$ 32,325	\$ 34,530	\$ 2,205	93.6%	\$ 7,254	30.4%
10/1/2002 (1)	31,302	38,067	6,765	82.2%	7,975	84.8%
10/1/2003 (1)	34,845	44,993	10,148	77.4%	8,994	112.8%

(1) The figures for October 1, 2002 are based on Entry Age Normal Actuarial Accrued Liability; all others are based on Frozen Initial Liability.

MANAGEMENT AND GENERAL

Information not available

COMBINING FINANCIAL STATEMENTS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for funds received with specific restrictions on how the funds should be spent.

Community Development Block Grant – This fund accounts for revenue received from the Department of Housing and Urban Development. The revenue is restricted to accomplish the various objectives of the Community Development Block Grant Program.

Community Redevelopment Agency – This fund accounts for revenue received from tax increment financing. This revenue is restricted for use in carrying out redevelopment in designated redevelopment areas.

TOWN OF DAVIE, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2004

	Community Development Block Grant	Community Redevelopment Agency	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Pooled cash and cash equivalents	\$ -	\$ 2,482,281	\$ 2,482,281
Intergovernmental	785,338	-	785,338
Total assets	<u>\$ 785,338</u>	<u>\$ 2,482,281</u>	<u>\$ 3,267,619</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 75,705	\$ 20,463	\$ 96,168
Due to other funds	709,633	-	709,633
Total liabilities	<u>785,338</u>	<u>20,463</u>	<u>805,801</u>
Fund balances:			
Reserved for:			
Community redevelopment agency	-	2,461,818	2,461,818
Total fund balances	-	2,461,818	2,461,818
Total liabilities and fund balances	<u>\$ 785,338</u>	<u>\$ 2,482,281</u>	<u>\$ 3,267,619</u>

TOWN OF DAVIE, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2004

	Community Development Block Grant	Community Redevelopment Agency	Total Nonmajor Governmental Funds
Revenues:			
Intergovernmental	\$ 1,460,711	\$ -	\$ 1,460,711
Property taxes	-	1,853,263	1,853,263
Other		4,570	4,570
Total revenues	<u>1,460,711</u>	<u>1,857,833</u>	<u>3,318,544</u>
Expenditures:			
Development services department:			
Personnel services	210,818	230,376	441,194
Operating expenditures	24,312	88,656	112,968
Total general government	<u>235,130</u>	<u>319,032</u>	<u>554,162</u>
Capital Outlay	1,225,581	240,617	1,466,198
Total expenditures	<u>1,460,711</u>	<u>559,649</u>	<u>2,020,360</u>
Excess (deficiency) of revenues over expenditures	-	1,298,184	1,298,184
Other financing sources (uses):			
Transfers out	-	(1,082,181)	(1,082,181)
Net change in fund balances	<u>-</u>	<u>216,003</u>	<u>216,003</u>
Fund balances - October 1	-	2,245,815	2,245,815
Fund balance - September 30	<u>\$ -</u>	<u>\$ 2,461,818</u>	<u>\$ 2,461,818</u>

INTERNAL SERVICE FUNDS

Internal Service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Vehicle Maintenance Fund - This fund is used to accumulate the cost of operating a central garage facility for vehicle and equipment maintenance.

Self-Insurance Fund – This fund is used to account for a deductible amount per claim for workers' compensation and property damage insurance for which the Town is self-insured.

Information Systems Fund - This fund is used to account for the accumulation of capital and distribution of costs associated with information systems equipment.

Building Maintenance Fund - This fund is used to account for the accumulation of capital and distribution of costs associated with operating Town facilities.

TOWN OF DAVIE, FLORIDA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2004

	Vehicle Maintenance	Self- Insurance	Information Systems	Building Maintenance	Total
<u>ASSETS</u>					
Current assets:					
Pooled cash and cash equivalents	\$ 3,147,042	\$ 6,512,989	\$ 362,451	\$ 593,949	\$10,616,431
Receivables	4,944	-	-	-	4,944
Prepaid items	-	189,048	50,868	-	239,916
Inventory	49,591	-	-	-	49,591
Total assets	3,201,577	6,702,037	413,319	593,949	10,910,882
Capital assets:					
Buildings and equipment	7,859,206	-	2,548,396	230,549	10,638,151
Less accumulated depreciation	(3,434,642)	-	(1,990,218)	(181,831)	(5,606,691)
Total capital assets, net	4,424,564	-	558,178	48,718	5,031,460
	<u>\$ 7,626,141</u>	<u>\$ 6,702,037</u>	<u>\$ 971,497</u>	<u>\$ 642,667</u>	<u>\$15,942,342</u>
<u>LIABILITIES</u>					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 330,118	\$ -	\$ 130,365	\$ 29,344	\$ 489,827
Bonds payable	-	-	56,000	-	56,000
Total current liabilities	330,118	-	186,365	29,344	545,827
Noncurrent liabilities:					
Bonds payable	-	-	112,000	-	112,000
Total liabilities	330,118	-	298,365	29,344	657,827
<u>NET ASSETS</u>					
Investment in capital assets, net of related debt	4,424,564	-	390,178	48,718	4,863,460
Unrestricted	2,871,459	6,702,037	282,954	564,605	10,421,055
Total net assets	<u>\$ 7,296,023</u>	<u>\$ 6,702,037</u>	<u>\$ 673,132</u>	<u>\$ 613,323</u>	<u>\$15,284,515</u>

TOWN OF DAVIE, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
YEAR ENDED SEPTEMBER 30, 2004

	Vehicle Maintenance	Self- Insurance	Information Systems	Building Maintenance	Total
Operating revenues:					
Charges for services	\$ 1,728,469	\$ 7,701,851	\$ 1,331,216	\$ 320,734	\$ 11,082,270
Operating expenses:					
Personal services	-	-	554,036	-	554,036
Maintenance	1,619,907	-	606,931	240,685	2,467,523
Insurance	294,900	2,459,815	-	-	2,754,715
Claims	-	4,383,485	-	-	4,383,485
Administrative	-	51,658	-	-	51,658
Depreciation and amortization	887,815	-	311,964	19,947	1,219,726
Total operating expenses	2,802,622	6,894,958	1,472,931	260,632	11,431,143
Operating income (loss)	(1,074,153)	806,893	(141,715)	60,102	(348,873)
Nonoperating revenues (expenses):					
Interest expense	(285)	-	(2,487)	-	(2,772)
Gain on sale of assets	8,154	-	(5,658)	-	2,496
Total Nonoperating revenues (expenses):	7,869	-	(8,145)	-	(276)
Change in net assets	(1,066,284)	806,893	(149,860)	60,102	(349,149)
Net assets, October 1	8,362,307	5,895,144	822,992	553,221	15,633,664
Net assets, September 30	\$ 7,296,023	\$ 6,702,037	\$ 673,132	\$ 613,323	\$ 15,284,515

TOWN OF DAVIE, FLORIDA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED SEPTEMBER 30, 2004

	Vehicle Maintenance	Self- Insurance	Information Systems	Building Maintenance	Total
Cash flows from operating activities:					
Cash received from service charges	\$ 1,735,628	\$ 7,701,851	\$ 1,331,216	\$ 320,734	\$ 11,089,429
Cash paid to suppliers	(1,814,438)	(6,755,093)	(599,242)	(221,884)	(9,390,657)
Cash paid to employees	-	-	(606,931)	-	(606,931)
Net cash provided (used) by operating activities	(78,810)	946,758	125,043	98,850	1,091,841
Cash flows from capital and related financing activities:					
Principal reduction of long-term debt	(25,000)	-	(56,000)	-	(81,000)
Proceeds from sale of capital assets	8,154	-	(5,658)	-	2,496
Acquisition and construction of capital assets	(2,490,102)	-	(86,232)	-	(2,576,334)
Interest paid on long-term debt	(285)	-	(2,487)	-	(2,772)
Net cash (used in) capital and related financing activities	(2,507,233)	-	(150,377)	-	(2,657,610)
Net increase (decrease) in pooled cash and cash equivalents	(2,586,043)	946,758	(25,334)	98,850	(1,565,769)
Pooled cash and cash equivalents, October 1	5,733,085	5,566,231	387,785	495,101	12,182,202
Pooled cash and cash equivalents, September 30	\$ 3,147,042	\$ 6,512,989	\$ 362,451	\$ 593,951	\$ 10,616,433
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (1,074,153)	\$ 806,893	\$ (141,715)	\$ 60,102	\$ (348,873)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	887,815	-	311,964	19,947	1,219,726
Change in assets and liabilities:					
Decrease (increase) in receivables	7,159	-	-	-	7,159
(Increase) in inventory	(32,460)	-	-	-	(32,460)
(Increase) decrease in prepaid items	-	139,952	33,927	-	173,879
Increase (decrease) in accounts payable and accrued liabilities and compensated absences	-	-	-	-	-
Total adjustments	132,829	(87)	(79,133)	18,801	72,410
Net cash provided (used) by operating activities	\$ (78,810)	\$ 946,758	\$ 125,043	\$ 98,850	\$ 1,091,841

FIDUCIARY FUNDS

Fiduciary trust funds are used to account for assets held by the government in a trustee capacity.

Police Employees Pension Trust Fund - This fund is used to account for the accumulation of resources for pension benefit payments to qualified police employees of the Town of Davie.

Firefighters Pension Fund - This fund is used to account for the accumulation of resources for pension benefit payments to qualified firefighter employees of the Town of Davie.

Management and General Employees' Plan - The management and General Employees' Plan is maintained to for the benefit of employees that are not represented under any other pension plan.

TOWN OF DAVIE, FLORIDA
COMBINING STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2004

	Police Pension	Firefighters Pension	Management and General Employees	Total
<u>ASSETS</u>				
Pooled cash and cash equivalents	\$ 2,570,042	\$ 2,385,988	\$ 146,643	\$ 5,102,673
Receivables:				
Interest and dividends	163,322	114,916	-	278,238
Contributions	758,495	311,086	-	1,069,581
Investments, at fair value	38,991,346	20,887,837	6,313,400	66,192,583
Total assets	<u>\$ 42,483,205</u>	<u>\$ 23,699,827</u>	<u>\$ 6,460,043</u>	<u>\$ 72,643,075</u>
<u>LIABILITIES</u>				
Due to broker	\$ 148,212	\$ -	\$ -	\$ 148,212
Accounts payable	49,100	3,375	-	52,475
DROP payable	1,691,566	2,015,883	-	3,707,449
Total liabilities	<u>1,888,878</u>	<u>2,019,258</u>	<u>-</u>	<u>3,908,136</u>
<u>NET ASSETS</u>				
Net assets held in trust for pension benefits	<u>\$ 40,594,327</u>	<u>\$ 21,680,569</u>	<u>\$ 6,460,043</u>	<u>\$ 68,734,939</u>

TOWN OF DAVIE, FLORIDA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED SEPTEMBER 30, 2004

	Police Pension	Firefighters Pension	Management and General Employees	Total
ADDITIONS				
Contributions:				
Town	\$ 2,764,336	\$ 1,558,470	\$ 3,078,100	\$ 7,400,906
Plan members	624,257	511,525	3,366,340	4,502,122
State	547,518	532,813	-	1,080,331
Total contributions	3,936,111	2,602,808	6,444,440	12,983,359
Investment income:				
Net appreciation in fair value of investments	1,456,805	524,038	(35,135)	1,945,708
Interest and dividends	1,040,362	729,267	76,994	1,846,623
	2,497,167	1,253,305	41,859	3,792,331
Less investment expenses	182,246	136,222	6,245	324,713
Net investment income	2,314,921	1,117,083	35,614	3,467,618
Total additions	6,251,032	3,719,891	6,480,054	16,450,977
DEDUCTIONS				
Benefits	1,148,926	1,292,906	4,417	2,446,249
Refund of contributions	45,212	15,048	-	60,260
Administrative expenses	158,228	155,927	15,594	329,749
Total deductions	1,352,366	1,463,881	20,011	2,836,258
Change in net assets	4,898,666	2,256,010	6,460,043	13,614,719
Net assets, October 1	35,695,661	19,424,559	-	55,120,220
Net assets, September 30	\$ 40,594,327	\$ 21,680,569	\$ 6,460,043	\$ 68,734,939

STATISTICAL SECTION

TABLE 1

TOWN OF DAVIE, FLORIDA
GOVERNMENT-WIDE EXPENSES BY FUNCTION
LAST TEN FISCAL YEARS (1)

Fiscal Year	Governmental Activities								Business-type Activities		Total
	General Government	Develop- mental Services	Engineering	Public Works	Police	Fire Rescue	Parks and Recreation	Interest on Long-Term Debt	Water and Sewer	Aquaculture	
1999	\$ 2,905,407	\$ 3,385,610	\$ 168,819	\$ 2,066,774	\$ 15,525,304	\$ 7,820,451	\$ 4,945,341	\$ 2,038,608	\$ 7,220,249	\$ 188,538	\$ 46,265,101
2000	3,359,067	4,142,512	218,069	2,606,620	16,362,859	7,892,772	5,377,743	2,237,853	7,413,851	193,486	49,804,832
2001	3,906,989	5,051,261	8,745	2,250,859	19,192,972	9,468,076	7,334,706	2,029,540	7,908,209	314,427	57,465,784
2002	4,293,745	5,933,961	301,427	1,943,438	21,178,189	10,684,060	8,238,172	1,471,005	7,970,124	60,259	62,074,379
2003	4,874,713	6,040,459	799,397	4,972,814	23,401,069	12,543,511	6,398,184	1,267,994	8,502,907	21,238	68,822,286
2004	6,452,633	9,132,174	1,198,909	6,085,395	25,615,085	14,975,262	6,763,471	1,438,985	9,155,969	21,265	80,839,148

(1) Information for fiscal years ended September 30, 1995 to 1998 are unavailable.
The Town implemented GASB Statement No. 34 for the fiscal year ended September 30, 1999.

TABLE 2

TOWN OF DAVIE, FLORIDA
GOVERNMENT-WIDE REVENUES
LAST TEN FISCAL YEARS (1)

Fiscal Year	Program Revenues			General Revenues					
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes (2)	Unrestricted Investment Earnings	Grants and Contributions not Restricted to Specific Programs	Transfers	Miscellaneous	Total
1999	\$ 13,917,021	\$ 4,089,011	\$ 2,143,943	\$ 25,966,400	\$ 2,328,774	\$ 5,246,280	\$ -	\$ 324,732	\$ 54,016,161
2000	14,832,964	4,008,134	1,664,537	29,984,967	3,477,939	5,448,111	-	873,148	60,289,800
2001	15,921,176	3,825,465	442,339	33,446,419	3,001,096	5,591,650	(832,999)	598,517	61,993,663
2002	10,098,204	3,982,149	1,547,226	35,999,722	742,935	6,383,304	-	606,394	59,359,934
2003	13,283,017	3,778,005	1,008,381	38,973,344	1,789,177	6,316,335	(2,567)	365,820	65,511,512
2004	16,995,253	3,989,476	7,075,454	42,623,451	1,679,068	7,310,298	-	1,027,182	80,700,182

(1) Information for fiscal years ended September 30, 1995 to 1998 are unavailable.
The Town implemented GASB Statement No. 34 for the fiscal year ended September 30, 1999.

(2) Taxes include property taxes, utility taxes and franchise taxes.

TABLE 3

TOWN OF DAVIE, FLORIDA
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Culture and Recreation</u>	<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Total</u>
1995	\$ 4,845,326	\$ 15,704,167	\$ 1,372,102	\$ 2,608,614	\$ 401,589	\$ 4,130,473	\$ 29,062,271
1996	5,558,561	17,725,911	1,502,800	2,817,915	1,102,864	4,187,894	32,895,945
1997	5,746,424	19,849,215	1,623,524	3,187,507	1,493,511	4,856,002	36,756,183
1998	6,105,652	21,305,069	1,919,879	3,711,885	1,115,204	5,099,924	39,257,613
1999	6,791,670	23,164,889	2,069,393	3,994,131	1,194,372	5,572,975	42,787,430
2000	7,545,544	24,396,575	2,664,354	4,243,039	1,039,451	6,775,530	46,664,493
2001	4,170,642	29,433,205	2,866,365	4,911,032	488,280	7,617,503	49,487,027
2002	9,462,060	32,188,929	2,521,228	5,446,681	990,529	7,346,176	57,955,603
2003	10,665,602	35,186,825	4,547,133	4,359,991	1,390,589	4,508,973	60,659,113
2004	12,552,290	38,304,489	5,421,079	4,819,600	516,827	4,662,170	66,276,455

(1) Includes General Fund only

TABLE 4

TOWN OF DAVIE, FLORIDA
GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)
LAST TEN FISCAL YEARS

Fiscal	Ad Valorem	Utility	Franchise	Licenses and	Inter- Governmental	Charges for	Fines and	Roadway	Fire Rescue	Interest and	
<u>Year</u>	<u>Taxes</u>	<u>Taxes</u>	<u>Fees</u>	<u>Permits</u>	<u>I</u>	<u>Services</u>	<u>Forfeitures</u>	<u>Assessment</u>	<u>Assessment</u>	<u>Miscellaneous</u>	<u>Total</u>
1995	\$ 10,201,973	\$ 4,912,082	\$ 3,830,909	\$ 2,076,693	\$ 5,783,414	\$ 1,438,288	\$ 1,296,827	\$ -	\$ -	\$ 2,292,486	\$ 31,832,672
1996	10,854,249	5,287,878	4,193,150	2,347,517	6,128,817	1,639,660	1,144,352	-	-	2,388,522	33,984,145
1997	11,937,524	5,814,706	4,664,620	2,554,959	6,831,009	1,844,483	1,018,672	-	1,119,581	2,704,182	38,489,736
1998	13,557,730	6,121,911	4,548,644	3,195,318	7,383,242	2,447,620	1,084,761	-	1,243,466	2,828,030	42,410,722
1999	14,631,099	6,660,567	4,674,734	3,842,647	7,949,627	3,038,327	1,260,104	-	1,268,290	3,135,465	46,460,860
2000	16,639,030	7,107,217	5,600,751	4,196,511	8,318,761	3,567,836	1,468,091	-	1,217,161	4,462,821	52,578,179
2001	18,754,486	7,610,816	6,279,562	3,485,333	7,780,589	4,034,801	1,237,809	-	1,530,279	3,676,071	54,389,746
2002	20,165,636	9,179,260	5,560,921	3,980,727	9,565,842	4,462,648	1,139,464	-	1,654,108	2,514,541	58,225,149
2003	22,164,850	5,343,231	6,080,368	6,352,264	12,232,616	5,071,000	1,057,937	-	1,743,479	2,514,565	62,560,310
2004	24,802,109	5,354,224	6,694,922	7,779,426	13,296,799	6,422,927	997,596	-	2,669,405	2,884,066	70,901,474

(1) Includes General Fund only

TABLE 5

TOWN OF DAVIE, FLORIDA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collection</u>	<u>Percentage of Total Tax Collections to Tax Levy</u>	<u>Delinquent Tax Deductions</u>	<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collections to Total Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Ratio of Total Delinquent Taxes to Total Tax Levy</u>
1995	10,127,463	10,063,092	99.4	53,383	10,116,475	99.9	482,401	4.8
1996	10,692,663	10,633,023	99.4	52,273	10,685,296	99.9	595,761	5.6
1997	12,320,333	12,149,371	98.6	30,522	12,179,893	98.9	746,351	6.1
1998	13,986,795	13,898,455	99.4	26,194	13,924,649	99.6	787,578	5.6
1999	15,353,024	15,257,581	99.4	18,113	15,275,694	99.5	858,804	5.6
2000	17,639,407	17,523,255	99.3	22,546	17,545,801	99.5	929,706	5.3
2001	19,786,104	19,715,688	99.6	32,769	19,748,457	99.8	920,757	4.6
2002	21,380,015	21,247,535	99.2	29,334	21,276,869	99.5	1,040,258	4.8
2003	23,448,930	23,366,361	99.6	28,889	23,395,250	99.7	1,084,146	4.6
2004	25,727,194	24,738,814	96.1	28,900	23,395,261	90.9	1,161,542	4.5

TABLE 6

TOWN OF DAVIE, FLORIDA
ASSESSED AND ESTIMATED ACTUAL VALUE OF ALL TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year	<u>Real Property</u>		<u>Personal Property</u>		<u>Total</u>		Ratio of Total Assessed Value to Total Estimated Actual Value (2)	Real and Personal Property	Taxable Value
	Assessed Value (1)	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value			
1995	2,532,275,130	2,610,384,450	201,308,976	201,308,976	2,733,584,106	2,811,693,426	97.2%	612,739,522	2,120,844,584
1996	2,685,825,500	2,839,139,006	201,885,245	213,409,350	2,887,710,745	3,052,548,356	94.6%	649,968,442	2,237,742,303
1997	2,909,679,640	2,984,286,810	214,912,128	220,422,695	3,124,591,768	3,204,709,505	97.5%	702,221,635	2,422,370,133
1998	3,125,419,230	3,147,451,390	224,706,394	226,290,427	3,350,125,624	3,373,741,817	99.3%	662,983,850	2,687,141,774
1999	3,363,676,250	3,425,332,230	226,755,470	230,911,884	3,590,431,720	3,656,244,114	98.2%	686,332,720	2,904,099,000
2000	3,783,319,830	3,772,003,818	231,035,298	230,344,265	4,014,355,128	4,002,348,083	100.3%	751,813,790	3,262,541,338
2001	4,226,479,170	4,402,582,468	265,237,253	276,288,805	4,491,716,423	4,678,871,273	96.0%	788,620,150	3,703,096,273
2002	4,625,896,210	4,508,095,257	312,361,327	309,268,640	4,938,257,537	4,817,363,897	101.0%	829,896,150	4,108,361,387
2003	5,224,952,600	5,267,089,315	323,272,692	325,879,729	5,548,225,292	5,592,969,044	99.2%	892,127,990	4,656,097,302
2004	5,825,332,670	5,739,244,010	370,195,666	364,724,794	6,195,528,336	6,103,968,804	101.50%	965,731,300	5,229,797,036

(1) Source: Broward County Property Appraiser

(2) Source: State of Florida Ad Valorem Taxation

TABLE 7

TOWN OF DAVIE, FLORIDA
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS (1)
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Town of Davie</u>	<u>County Commission</u>	<u>School Board</u>	<u>South Water Management</u>	<u>Children's Services</u>	<u>Broward Hospital</u>	<u>Florida Navigation District</u>	<u>Total</u>
1995	5.3586	8.1165	10.0366	0.6470	-	2.1132	0.0400	26.3119
1996	5.5378	7.7524	9.9400	0.6720	-	2.1132	0.0380	26.0534
1997	5.8378	7.8380	9.9745	0.6970	-	2.1132	0.0500	26.5105
1998	5.7589	7.5710	9.7256	0.6970	-	2.1132	0.0470	25.9127
1999	6.0089	7.5710	9.1283	0.6970	-	2.0831	0.0440	25.5323
2000	6.0089	7.5250	8.9553	0.6970	-	1.9939	0.0410	25.2211
2001	5.7911	7.4005	8.7541	0.6970	0.3055	1.8694	0.0385	24.8561
2002	5.7442	7.3650	8.8825	0.6970	0.3316	1.7336	0.0385	24.7924
2003	5.6184	7.188	8.4176	0.697	0.392	1.7336	0.6885	24.7347
2004	5.6297	7.023	8.2695	0.697	0.4231	1.5761	0.6885	24.3069

(1) Basis for property tax rates is per \$1,000 assessed value.

TOWN OF DAVIE, FLORIDA
PRINCIPAL TAXPAYERS
SEPTEMBER 30, 2004

TABLE 8

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Taxable Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Andrx Corp & Subsidiaries	Pharmaceutical	\$ 59,623,757	0.96%
Florida Power & Light Co.	Utility	39,801,219	0.64%
Tri County Plaza Assoc Ltd	Property Management	33,561,394	0.54%
Equity One, Inc	Mortgage Loan Co.	32,588,614	0.53%
City National Bank of FL Trustee	Bank	26,183,244	0.42%
Palm Trace Landings	Housing	24,638,477	0.40%
Alliance Rt Limited	Property Management	24,508,766	0.40%
Hacienda Cove LLC	Housing	24,135,291	0.39%
Florida Auto Auction	Auto Sales (Auctions)	22,814,746	0.37%
Southern Bell Telephone Co.	Utility	<u>19,587,030</u>	<u>0.32%</u>
		<u>\$ 307,442,538</u>	<u>4.97%</u>

TOWN OF DAVIE, FLORIDA
SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS
LAST TEN FISCAL YEARS (1)

TABLE 9

<u>Fiscal Year</u>	<u>Special Assessment Billings</u>	<u>Special Assessments Collected</u>
1997	\$ 1,160,717	\$ 1,150,722
1998	1,287,684	1,286,094
1999	1,245,305	1,242,011
2000	1,263,879	1,261,251
2001	1,591,847	1,591,094
2002	1,711,565	1,709,917
2003	1,805,867	1,805,449
2004	2,766,446	2,668,402

(1) Since fiscal year 1997 was the initial year for the Fire Rescue Assessment, earlier years are not presented here since billings and collections for all previous years were \$0.

TABLE 10

TOWN OF DAVIE, FLORIDA
RATIO OF NET GENERAL OBLIGATION BONDED DEBT AND OTHER GENERAL BONDS AND NOTES PAYABLE TO
TAXABLE VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Taxable Value (2)</u>	<u>Net Bonded Debt (3)</u>	<u>Ratio of Net Bonded Debt to Taxable Value</u>	<u>Net Bonded Debt Per Capita</u>	<u>Non-General Obligation General Bonds and Notes Payable</u>	<u>Total Debt</u>	<u>Ratio of Total Debt to Taxable Value</u>	<u>General Bonds and Notes Payable Per Capita</u>
1995	54,611	2,120,844,584	10,000,000	0.5%	183	22,342,441	32,342,441	1.5%	592
1996	59,393	2,237,742,303	10,000,000	0.4%	168	22,397,508	32,397,508	1.4%	545
1997	61,182	2,422,370,133	19,800,000	0.8%	324	24,439,094	44,239,094	1.8%	723
1998	61,799	2,687,141,774	19,566,896	0.7%	317	21,545,066	41,111,962	1.5%	665
1999	66,985	2,904,099,000	29,282,347	1.0%	437	18,137,405	47,419,752	1.6%	708
2000	67,529	3,262,544,338	30,514,122	0.9%	452	19,547,494	50,061,616	1.5%	741
2001	75,720	3,703,096,273	29,669,873	0.8%	392	14,888,583	44,558,456	1.2%	588
2002	78,688	4,108,361,387	28,753,201	0.7%	365	19,950,922	48,704,123	1.2%	619
2003	79,763	4,656,097,302	27,782,028	0.6%	348	17,614,761	45,396,789	1.0%	569
2004	81,845	5,229,797,036	26,751,892	0.5%	327	15,187,600	41,939,492	0.8%	512

(1) From Table 12.

(2) From Table 6.

(3) Amount does not include revenue bonds.

TABLE 11

TOWN OF DAVIE, FLORIDA
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GOVERNMENTAL ACTIVITIES
TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Principal (1)</u>	<u>Interest (2)</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures (1, 3)</u>	<u>Ratio of Debt Service to General Governmental Expenditures</u>
1995	2,292,932	1,837,541	4,130,473	29,062,271	14.2%
1996	2,544,933	1,642,961	4,187,894	32,895,945	12.7%
1997	2,958,414	1,897,588	4,856,002	36,756,183	13.2%
1998	3,127,132	1,972,792	5,099,924	39,257,613	13.0%
1999	3,817,210	1,755,765	5,572,975	42,787,430	13.0%
2000	4,333,135	2,442,395	6,775,530	46,664,493	14.5%
2001	5,478,161	2,139,342	7,617,503	49,487,027	15.4%
2002	5,773,333	1,559,675	7,333,008	57,995,603	12.6%
2003	3,282,334	1,226,639	4,508,973	60,659,113	7.43%
2004	3,432,297	1,229,873	4,662,170	66,276,455	7.03%

(1) Excludes principal payments made during refinancings.

(2) Excludes bond issuance and other costs

(3) Includes General Fund only.

TABLE 12

TOWN OF DAVIE, FLORIDA
 COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT (1)
 GENERAL OBLIGATION BONDS
 SEPTEMBER 30, 2004

<u>Jurisdiction</u>	Net General Obligation Bonded Debt <u>Outstanding</u>	Percentage Applicable to <u>Government</u>	Amount Applicable to <u>Government</u>
Direct:			
Town of Davie	\$ 27,782,028	<u>100.0%</u>	\$ 27,782,028
Overlapping:			
County Commission	450,340,000	4.4%	14,700,180
School Board	<u>103,108,220</u>	4.4%	<u>5,538,816</u>
	<u>\$ 581,230,248</u>		<u>\$ 48,021,024</u>

TABLE 13

TOWN OF DAVIE, FLORIDA
REVENUE BOND COVERAGE
WATER AND SEWER DIVISION
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Gross Revenues (1)</u>	<u>Operating Expenses (2)</u>	<u>Net Revenues Available for Debt Service</u>	<u>Pledged Revenues Available for Debt Service</u>	<u>Debt Service Requirements (3)</u>			<u>Net Revenue Coverage</u>	<u>Pledged Revenue Coverage</u>
					<u>Principal</u>	<u>Interest</u>	<u>Total</u>		
1995	7,395,977	2,826,161	4,569,816	9,448,226	470,000	2,265,484	2,735,484	1.67	3.45
1996	8,557,867	3,221,223	5,336,644	9,539,144	490,000	2,247,204	2,737,204	1.95	3.48
1997	8,759,178	3,241,087	5,518,091	10,700,432	890,000	2,216,221	3,106,221	1.78	3.44
1998	7,869,501	3,190,446	4,679,055	9,822,023	930,000	2,171,581	3,101,581	1.51	(4) 3.17
1999	6,994,953	3,315,684	3,679,269	10,090,884	975,000	2,126,758	3,101,758	1.19	(4) 3.25
2000	7,023,766	3,596,644	3,427,122	9,948,243	1,025,000	2,075,976	3,100,976	1.11	(4) 3.21
2001	8,011,486	4,070,028	3,941,458	10,301,116	1,075,000	2,020,839	3,095,839	1.27	(4) 3.33
2002	7,073,372	4,205,238	2,868,134	11,458,553	1,135,000	1,960,855	3,095,855	0.93	(4) 3.70
2003	7,177,269	4,785,383	2,391,886	7,177,269	1,265,000	1,823,926	3,088,926	0.77	(4) 2.32
2004	7,702,480	5,926,227	1,776,253	7,702,480	1,235,000	971,730	2,206,730	0.80	(4) 3.49

(1) Gross revenues include interest income.

(2) Total operating exclusive of depreciation and amortization.

(3) Includes principal and interest of revenue bonds only. It does not include debt defeasance transactions.

(4) In March 1988, the Town adopted an overall rate reduction of 28%, resulting in reduced net revenue coverage.

TABLE 14

TOWN OF DAVIE, FLORIDA
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Per Capital Income Broward County (2)</u>	<u>Median Age (2)</u>	<u>Public School Enrollment (3)</u>	<u>Unemployment Rate (4)</u>
1995	54,611	16,747	32.0	12,811	5.1
1996	59,393	19,737	35.2	13,147	5.3
1997	61,182	26,192	38.9	13,692	4.1
1998	61,799	21,491	38.0	16,065	4.1
1999	66,985	22,433	36.6	16,884	3.7
2000	67,529	22,882	37.0	17,521	4.2
2001	75,720	22,755	37.0	18,193	4.4
2002	78,688	23,383	35.6	16,285	5.7
2003	79,763	26,039	36.4	15,887	4.1
2004	81,845	26,251	35.9	15,568	4.5

(1) Source: Local Government Financial Information Handbook.

(2) Source: U.S. Census Bureau.

(3) Source: Broward County School Board 20th Day Membership Report

(4) Source: Florida Department of Labor and Employment Security.

TABLE 15

TOWN OF DAVIE, FLORIDA
PROPERTY VALUES, CONSTRUCTION AND BANK DEPOSITS
LAST TEN FISCAL YEARS

Fiscal Year	Real and Personal Property Value (1)	Exemptions (1)	Net Real Property Value	New Commercial Construction (2)		New Residential Construction (2)		Bank Deposits (3)	
				Number of Units	Valuation	Number of Units	Valuation		
1995	2,733,584,106	612,739,522	2,120,844,584	34	21,249,954	893	71,955,135	13,613,773,000	(5)
1996	2,887,710,745	649,968,442	2,237,742,303	23	7,300,798	973	88,311,259	13,541,832,000	(5)
1997	3,124,591,768	702,221,635	2,422,370,133	25	18,181,514	381	50,058,315	13,689,973,000	(5)
1998	3,350,125,624	662,983,850	2,687,141,774	38	9,837,460	588	111,675,647	13,747,758,000	(5)
1999	3,590,431,720	686,332,720	2,904,099,000	46	51,799,840	765	108,133,302	14,747,331,000	(5)
2000	4,014,355,128	751,813,790	3,262,541,338	82	36,990,007	751	88,180,290	14,861,878,000	(5)
2001	4,491,716,423	788,620,150	3,703,096,273	32	58,122,726	427	43,740,491	16,114,187,000	(5)
2002	4,938,257,537	829,896,150	4,108,361,387	40	39,776,694	496	58,542,367	26,307,559,000	(5)
2003	5,548,225,292	892,127,990	4,656,097,302	36	10,405,435	502	74,330,452	28,403,800,000	(5)
2004	6,195,528,336	965,731,300	5,229,797,036	22	5,715,359	625	68,391,682	36,689,909,000	(5)

(1) Source: From Table 6.

(2) Source: Town of Davie Building Department.

(3) Source: Florida Bankers Association

(4) Source: Information unavailable.

(5) Source: Information is no longer available for just the Town, but for the entire County.

TOWN OF DAVIE, FLORIDA
MISCELLANEOUS STATISTICAL DATA
SEPTEMBER 30, 2003

TABLE 16

Date of incorporation	November 16, 1925
Date of reincorporation	September 19, 1961
Form of government	Council-Administrator
Number of employees (excluding police and fire):	
Classified	464
Exempt	5
Population	81,845
Area	34.5 square miles
Town of Davie facilities and services:	
Miles of paved streets	292
Miles of roads repaved	5.75
Miles of new roads paved	0.5
Number of street lights	3,580
Culture and recreation:	
Community centers	5
Parks	35
Park acreage	268
Open space acreage	428
Ball fields	39
Playgrounds	23
Special facilities	3
Fire protection:	
Number of stations	4
Number of fire personnel and officers	145
Number of calls answered	14,750
Number of inspections conducted	8,400
Police protection:	
Number of stations	1
Number of police personnel and officers	246
Number of patrol units	193
Number of law violations:	
Physical arrests	4,413
Citations issued	23,066

TOWN OF DAVIE, FLORIDA
MISCELLANEOUS STATISTICAL DATA
(Continued)
SEPTEMBER 30, 2003

TABLE 16

Code Compliance:	
Inspections and investigations	3,707
Correction notices issued	2,714
Code enforcement board/special master cases	697
Building permits issued (new construction)	625
Occupational licenses issued	6,330
Sewerage system:	
Miles of gravity sewer lines	63
Miles of effluent discharge lines (ocean outfall)	7
Miles of force mains	24
Number of treatment plant sites	1
Number of manholes	1,429
Number of service connections	6,749
Daily average treatment in gallons	2.9 MGD
Maximum daily capacity of plant in gallons	4.9 MGD
Water system:	
Miles of water mains	144
Number of service connections	8,951
Daily average consumption in gallons	4.2 MGD
Maximum daily capacity of plant in gallons	7.4 MGD capacity
Number of water plant sites	2
Meetings:	
Town Council	45
Site Plan Committee	18
Planning and Zoning Board	23
Charter Review Board	n/a
Other	150
Public Education:	
Number of schools	12
Number of enrolled students	15,568

TABLE 17

TOWN OF DAVIE, FLORIDA
CUSTOMERS AND RATE SCHEDULE - WATER AND SEWER DIVISION
SEPTEMBER 30, 2004

	<u>Water</u>	<u>Sewer</u>
CUSTOMERS		
Residential	3,697	1,968
Multi unit residential and mobile homes	3,749	3,492
Commercial	1,803	1,487
	<u>9,249</u>	<u>6,947</u>
	Monthly Base Service Charge (0 Gallons)	
	<u>Water</u>	<u>Sewer</u>
RATE SCHEDULE		
Residential:		
Single family	\$ 8.80	\$ 10.99
Multi unit - including duplexes, townhomes, etc. (per dwelling unit)	8.15	10.20
Mobile homes (per dwelling unit)	7.53	9.48
Plus a water charge of \$1.37 per each 1,000 gallons consumed.		
Plus a sewer charge of \$1.71 per each 1,000 gallons disposed to a maximum of 15,000 gallons per dwelling unit.		
Other than residential (excluding institutional customers and irrigation meters):		
Meter size:		
3/4 or less	8.80	10.99
1"	41.76	52.20
1 1/2"	72.71	90.89
2"	165.30	206.63
3" and over	*	*
Institutional customers:		
Meter size:		
3/4 or less	9.55	11.94
1"	45.41	56.74
1 1/2"	79.03	98.81
2"	179.38	224.61
3" and over	*	*
Irrigation meters:		
Minimum, up to 1 ERC (Equivalent Residential Connection) - 350 G.P.D.	8.83	
For each additional ERC - 350 G.P.D. (as calculated by the Utility Department)	8.83	
(*) By agreement only		
Plus a water charge of \$1.37 per each 1,000 gallons consumed.		

TOWN OF DAVIE, FLORIDA
SCHEDULE OF INSURANCE IN FORCE
SEPTEMBER 30, 2004

1. General Liability / Automobile Liability - South East Risk Management - Policy No. SERMA-12
LIMIT: Each person - \$100,000
Each occurrence - \$200,000
SPECIFIC EXCESS: \$1,000,000
DEDUCTIBLE: \$0

2. Real / Personal Property - South East Risk Management - Policy No. SERMA-12
LIMIT: Varies per location/item
DEDUCTIBLE: \$1,000

3. Environmental Liability - Illinois Union- Policy No. PPLG21740020
LIMIT: Each loss - \$2,000,000
Total for all losses - \$4,000,000
DEDUCTIBLE: \$25,000

4. Boiler and Machinery - South East Risk Management - Policy No. SERMA-12
LIMIT: Direct damage - \$30,000,000 (per accident)
a. Demolition - \$500,000
b. CFC refrigerants - \$100,000
c. Expediting expenses - \$100,000
d. Hazardous substances - \$100,000
Business income including extra expense - Included with Property
DEDUCTIBLE: \$1,000

5. Storage Tank Third Party Liability/Corrective Action - Florida Petroleum Liability - Policy No. FPL 7508538
LIMIT: Each incident - \$1,000,000
Aggregate - \$1,000,000
DEDUCTIBLE: \$10,000

6. Flood - Fidelity National Property & Casualty - Policy Nos.: 09-7700502411-01, 09-7700509449-01,
09-7700502413-01, 09-7700509447-01, 09-7700509441-01, 09-7700509440-01
09-7700502417-01, 09-7700509444-01, 09-7700510525-01, 99-7700509448-01
09-0009615529-01, 09-0009615528-01.
LIMIT: Various per location
DEDUCTIBLE: \$1,000

COMPLIANCE SECTION



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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON
COMPLIANCE AND INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor, Town Council and Town Administrator
Town of Davie, Florida

We have audited the basic financial statements of the Town of Davie, Florida (the Town) as of and for the year ended September 30, 2004 and have issued our report thereon dated July 8, 2005. We did not audit the financial statements of the Town of Davie Police Employees Pension Trust Fund or the Town of Davie Firefighters' Pension Plan, which together represents 92% of the assets and 50% of the revenues of the fiduciary fund totals, which are included in the fund financial statements. Those financial statements were audited by other independent auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town of Davie Police Employees Pension Trust Fund and the Firefighters' Pension Plan, are based solely on the report of other auditors. The financial statements of the Town of Davie Police Employees Pension Trust Fund and the Firefighters' Pension Plan were not audited in accordance with *Government Auditing Standards*. Our report herein does not address their respective internal control or compliance. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Town's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 04-1, 04-2 and 04-3.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Mayor, Town Council and Town Administrator
Town of Davie, Florida
Page Two

However, we noted certain matters, which we have reported to management of the Town of Davie, Florida in the accompanying schedule of findings and questioned costs as item 04-4.

This report is intended solely for the information and use of the Mayor, Town Council, management and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.



July 8, 2005

**MANAGEMENT LETTER IN ACCORDANCE WITH
THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

Honorable Mayor, Town Council and Town Administrator
Town of Davie, Florida

We have audited the basic financial statements of the Town of Davie, Florida (the Town) as of and for the year ended September 30, 2004, and have issued a report thereon dated July 8, 2005. We did not audit the financial statements of the Town of Davie Police Officers Retirement System or the Town of Davie Firefighters' Pension Plan, which together represents 92% of the assets and 50% of the revenues of the fiduciary fund totals, which are included in the fund financial statements. Those statements were audited by other independent auditors whose reports thereon have been furnished to us, and our opinion, insofar as it related to the amounts included for the Police Employees Pension Trust Fund and the Firefighters' Pension Plan, are based solely upon the reports of the other independent auditors. The financial statements of the Town of Davie Police Employees Pension Trust Fund and the Firefighters' Pension Plan were not audited in accordance with *Government Auditing Standards*.

We conducted our audit in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the requirements described in the Executive Office of the Governor's State Projects Compliance Supplement, and Chapter 10.550, Rules of the Auditor General. We have issued our Report of Independent Certified Public Accountants on Compliance and Internal Control over Financial Reporting, Report of Independent Certified Public Accountants on Compliance and Internal Control over Compliance Applicable to each Major Federal Awards Program and State Financial Assistance, Summary Schedule of Prior Audit Findings and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedules, which are dated July 8, 2005, should be considered in conjunction with this management letter.

In connection with our audit of the basic financial statements of the Town for the year ended September 30, 2004, we report the following in accordance with Chapter 10.550 Rules of the Auditor General, *Local Governmental Entity Audits* which requires that this report specifically address but not be limited to the matters outlined in Rule 10.554(1)(h):

1. Unless otherwise required to be reported in the auditor's report on compliance and on internal controls, the management letter shall include, but not be limited to a statement as to whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2003, except as disclosed in the Schedule of findings and questioned costs.
2. The Town complied with Section 218.415, Florida Statutes, regarding the investment of public funds.

3. There were no violations of laws, rules, regulations, and contractual provisions or abuse ,that were not clearly inconsequential, that have occurred, or were likely to have occurred, that were discovered within the scope of the audit except as disclosed in the Schedule of findings and questioned costs.
4. There were no illegal or improper expenditures that were not clearly inconsequential, discovered within the scope of the audit that may not materially affect the financial statements, except as disclosed in the Schedule of findings and questioned costs.
5. There were no deficiencies in internal control that are not reportable conditions, including but not limited to, improper or inadequate accounting procedures, failure to properly record financial transactions or other inaccuracies, shortages, defalcations, or instances of fraud discovered by, or that came to the attention of, the auditor except as disclosed in the Schedule of findings and questioned costs.
6. The Town has not met one or more of the conditions described in Section 218.503(1), Florida Statutes.
7. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes agrees with the September 30, 2004 financial audit report.
8. The Town was incorporated by Laws of Florida 61-2056; the Town's component unit, the Davie Community Redevelopment Agency was established May 4, 1988 by Ordinance 88-23.
9. During the course of our audit, we applied financial condition assessment procedures pursuant to Rule 10.566(8). It is management's responsibility to monitor the Town's financial condition, and our financial condition assessment, which was performed as of the Town's fiscal year end, was based on representations made by management and the review of financial information provided by the Town. There were no findings regarding deteriorating financial conditions.

This report is intended solely for the information and use of the Mayor, Town Council, management and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.



July 8, 2005



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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON COMPLIANCE AND INTERNAL CONTROL
OVER COMPLIANCE APPLICABLE TO
EACH MAJOR FEDERAL PROGRAMS AND
STATE FINANCIAL ASSISTANCE**

Honorable Mayor, Town Council and Town Administrator
Town of Davie, Florida

Compliance

We have audited the compliance of the Town of Davie, Florida (the Town) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the requirements described in the Executive Office of the Governor's State Projects Compliance Supplement, that are applicable to each of its major federal programs and state projects for the year ended September 30, 2004. The Town's major federal awards program and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal awards program and state projects is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General. Those standards and OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have direct and material effect on a major federal awards program or state project occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town's compliance with those requirements.

As described in item 04-3 in the accompanying schedule of findings and questioned costs, the Town did not comply with requirements regarding the due date of the Federal or the State Single Audit that is applicable to its major federal awards programs and state financial assistance. Compliance with such requirements is necessary, in our opinion, for the Town to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Town complied, in all material aspects, with the requirements referred to above that are applicable to its major federal awards programs and state projects for the year ended September 30, 2004.

Honorable Mayor, Town Council and Town Administrator
Town of Davie, Florida
Page Two

Internal Control over Compliance

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal awards programs and state projects. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on major federal awards programs and state projects in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal awards programs and state projects being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Mayor, Town Council, management and the grantor agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink, appearing to be "G. L. Uy", is located below the text of the report.

July 8, 2005

TOWN OF DAVIE, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2004

<u>Federal Agency/Pass-Through Grantor/Program Title</u>	<u>Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
<i>DIRECT FEDERAL PROGRAMS</i>			
US Department of Justice, Federal Equitable Sharing	N/A	N/A	\$ 101,987
US Department of Homeland Security Assistance to Firefighters Grant Program	83.554	EMW-2002-FG-11784	29,664
US Department of Housing and Community Development Community Development Block Grant	14.218	B-00-MC-12-0044	38,300
Community Development Block Grant	14.218	B-01-MC-12-0044	144,016
Community Development Block Grant	14.218	B-02-MC-12-0044	327,063
Community Development Block Grant	14.218	B-03-MC-12-0044	451,085
			<u>960,464</u>
US Department of Justice FY 2002 Local Law Enforcement Block Grants	16.592	2002-LB-BX-0786	7,202
FY 2003 Local Law Enforcement Block Grants	16.592	2003-LB-BX-0799	12,310
COPS in Schools	16.710	2002SHWX0650	90,883
COPS Homeland Security Overtime Program	16.710	2003OMWX0239	8,665
COPS Universal Hiring Program 2002	16.710	2003UMWX0289	62,991
Bulletproof Vest Partnership 2002	15.607	N/A	8,807
			<u>190,858</u>
<i>FEDERAL PASS-THROUGH PROGRAMS</i>			
US Department of Homeland Security Pass-Through FL Department of Community Affairs		FEMA-1545-DR-FL,	
Hurricane Frances - Public Assistance Program	97.036	Agmnt# 05-PA-G%-11-16-02-540	623,124
Hurricane Charley - State Mutual Aid Agreement	97.036	FEMA-1539-DR-FL	64,495
CERT Sub-Grant	83.564	03CT-95-11-16-02-390	3,983
Homeland Security Pass-Through for COOP Development	83.562	CAF#112	16,000
			<u>707,602</u>
US Department of Agriculture Pass-Through FL Department of Education Summer Food Program 2004	10.559	04-0723	17,478
US Department of the Interior Pass-Through FL Department of Environmental Protection Land & Water Conservation Fund - Silver Lake	15.916	12-00401	37,199
US Environmental Protection Agency Pass-Through FL Department of Environmental Protection		DEP Agreement # G0089,	
Nonpoint Source Implementation Grant Program	66.460	EPA Grant # C9-99451503-0	103,214
US Department of Transportation Pass-Through Florida Department of Transportation Highway Safety Program - DUI Enforcement & Prevention	20.601	ANK16	35,348
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 2,183,814</u></u>
N/A = Not Available			(Continued)

TOWN OF DAVIE, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2004
(Continued)

<u>Agency/Program Title</u>	<u>Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
<i>State of Florida Assistance</i>			
Florida Department of Community Affairs			
Hurricane Charley - State Mutual Aid Agreement	52.600308	FEMA-1539-DR-FL	\$ 7,166
Florida Communities Trust - Davie's Wetland Restoration/Van Kirk	52.002	04-CT-8C-02-F2-J1-088	5,361,082
			<u>5,368,248</u>
Florida Department of Environmental Protection			
FRDAP - Falcon's Lea	37.017	F40119	54,164
Florida Department of State			
Historic Preservation Grant - Viele House Relocation	45.031	S0450	27,360
Florida Housing Finance Agency			
Pass-Through Broward County			
State Housing Initiatives Partnership Program	52.901	N/A	31,204
TOTAL OF EXPENDITURES OF STATE AWARDS			<u><u>\$ 5,480,976</u></u>

See notes to schedule of Expenditures of Federal Awards and State Financial Assistance.

TOWN OF DAVIE, FLORIDA
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2004

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state grant activity of the Town of Davie and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133 and *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.550, Rules of the Auditor General. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

TOWN OF DAVIE, FLORIDA
SCHEDULE OF COUNTY ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2004

<u>Agency/Program Title</u>	<u>Grant Number</u>	<u>Expenditures</u>
<i>Broward County Assistance</i>		
Broward Cultural Affairs Division		
Education & Community Development Program	ECD-18-2004	\$ 16,500
Broward County Engineering Division		
Trafficways Beautification - Pine Island Road	Proj. No. 5244	163,164
Broward County Department of Environmental Protection		
Safe Parks & Land Preservation Bond Program		
Challenge Grant - Driftwood Estates Park	DAV-C-001	500,000
Broward County Mass Transit		
Community Bus Service Program		
Davie Community Bus	Interlocal Agreement	254,295
SFEC Bus	Interlocal Agreement	120,859
TOTAL OF EXPENDITURES OF COUNTY AWARDS		<u><u>\$ 1,054,818</u></u>

TOWN OF DAVIE, FLORIDA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2004

PRIOR YEAR COMMENTS AND STATUS

The following addresses the status of financial statement findings reported in the September 30, 2004 schedule of findings and questioned costs.

Matters that are repeated in the accompanying schedule of findings and questioned costs:

- 03-1 Compliance – reporting – bond and finance agreements (See 04-1)
- 03-3 Compliance – Budget – (See 04-2)
- 03-5 Other matter – internal service funds – net assets (See 04-4)

The following addresses the status of federal awards findings reported in the September 30, 2004 schedule of findings and questioned costs:

Matters that are repeated in the accompanying schedule of findings and questioned costs:

- 03-4 Compliance – reporting (See 04-3)

Matters that are not repeated in the accompanying schedule of findings and questioned costs:

- 03-2 Compliance – reporting (Florida)

TOWN OF DAVIE, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARDS PROGRAMS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2004

I. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the Town.
2. No reportable conditions relating to the audit of the financial statements are reported in the independent auditors' report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
3. Instances of noncompliance material to the financial statements of the Town were disclosed during the audit. See Part II. of this schedule.
4. No reportable conditions relating to the audit of the major federal programs or major state projects are reported in the independent auditors' report on compliance and on internal control over compliance applicable to each major federal program and state project.
5. The independent auditors' report on compliance for each major federal programs and state projects for the Town expresses an unqualified opinion.
6. Audit findings relative to the major federal awards programs and state financial assistance projects for The Town are reported in Part III. of this Schedule.
7. The programs/projects tested as major programs include:

Federal Program

Public Assistance Grants

CFDA #

97.036

State Project

Florida Communities Trust

CSFA#

52.002

8. The Town was determined to be a low-risk audit pursuant to OMB Circular A-133.

SECTION II – FINANCIAL STATEMENT FINDINGS

Compliance

04-1 Reporting – Bond and Finance Agreements

The Town's bond and finance agreements require that a copy of the annual audited financial statements of the Town, its most recent capital improvement plan and operating budget, and its Comprehensive Annual Financial Report be delivered to the bondholders within one hundred eighty (180) days of the end of the fiscal year; that date was March 31, 2005. The Town expects to deliver the abovementioned reports during September 2005. The Town was not in compliance with this requirement for the audit period ended September 30, 2004. This is a repeat finding from the prior year.

Recommendation

We recommend that the Town comply with their reporting requirements of their bond and finance agreements.

04-2 Budget

For the year ended September 30, 2004, expenditures exceeded appropriations in Public Safety by \$1,140,222 and in Public Works by \$325,553 as presented in the Statement of Revenues and Expenditures – Budget and Actual – General Fund.

Recommendation

The Town should amend the budget for overages related to specific departments.

SECTION III - FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

04-3 Compliance - Reporting

In accordance with the Federal Single Audit Act and the State Single Audit, the Town is required to submit a reporting package that includes audited financial statements, a schedule of expenditures of federal awards including notes to that schedule, a summary schedule of prior audit findings, a schedule of findings and questioned costs, the auditor's reports, and a corrective action plan for the Federal Single Audit Act and the State Single Audit within nine months after the end of the audit period; that date was June 30, 2005. The Town expects to file during September 2005. The Town has not met this requirement for the audit period ended September 30, 2004 and is at risk of losing current federal grant funds and the potential to lose future federal grant funds. This is a repeat finding from the prior year.

Recommendation

We recommend that the Town comply with timely submission of the Federal and State reporting packages. If the report packages cannot be submitted within the specified time period, the Town should request, in advance, a longer period for reporting from its oversight agency.

SECTION IV – OTHER FINDINGS

04-4 Internal Service Funds – Net Assets

The Town has accumulated significant reserves in its internal service funds. These reserves have been increasing each year as charges to the departments include excess amounts to account for future repair and replacement of Town assets and potential future claims against the Town. However, the Town does not have a policy with regard to how much to accumulate or for what projects the reserves will be used. This is a repeat finding from the prior year.

Recommendation

We recommend that the Town implement a policy with regard to accumulated reserves in the internal service funds. This policy should document what the respective reserves specifically will be used for as well as setting limits as to how much to accumulate in net assets so as to not accumulate excess reserves. If it is determined that there are amounts reserved that are in excess of the Town's needs for future repair and replacement or for potential future claims, these amounts should be refunded back to the respective departments.



BUDGET AND FINANCE DEPARTMENT

6591 ORANGE DRIVE • DAVIE, FLORIDA 33314-3399
PHONE: 954.797.1050 • FAX: 954.797.1049 • WWW.DAVIE-FL.GOV

The following is the Town's response to the issues brought forward in the external auditor's schedule of findings.

Auditor Comment

The Town's bond and finance agreements require that a copy of the annual audited financial statements of the Town, its most recent capital improvement plan and operating budget, and its Comprehensive Annual Financial Report be delivered to the bondholders within one hundred eighty (180) days of the end of the fiscal year; that date was March 31, 2005. The Town expects to deliver the above mentioned reports during September 2005. The Town was not in compliance with this requirement for the audit period ended September 30, 2004. This is a repeat finding from the prior year.

Town Response

The Town's Comprehensive Annual Financial Report for the fiscal year ended September 30, 2004, was late being issued for two reasons. First, the Town was delayed engaging a new external auditor in the prior year resulting in the late completion of the fiscal year 2003 audit which in turn delayed the start of the fiscal year 2004 audit. Secondly, the Budget and Finance Department experienced unusual employee vacancies in two key positions recently. Once the department is fully staffed, work will be able to be completed in a timelier manner.

Auditor Comment

For the year ended September 30, 2004, expenditures exceeded appropriations in Public Safety by \$1,140,222 and in Public Works by \$325,553 as presented in the Statement of Revenues and Expenditures – Budget and Actual – General Fund.

Town Response

The Town previously refrained from making end of year adjustments to its originally adopted or amended budget. An account being over or under budget generally does not give the reader any useful information other than the variance to budget. An over budget account may in fact have been "money better spent" because of the activity of the program. However, beginning with fiscal year 2005, our policy will be to amend the budget to eliminate unfavorable departmental variances.

Auditor Comment

In accordance with the Federal Single Audit Act and the State Single Audit, the Town is required to submit a reporting package that includes audited financial statements, a schedule of expenditures of federal awards including notes to that schedule, a summary schedule of prior audit findings, a schedule of findings and questioned costs, the auditor's reports, and a corrective action plan for the Federal Single Audit Act and the State Single Audit within nine months after the end of the audit period; that date was June 30, 2005. The Town expects to file during September 2005. The Town has not met this requirement for the audit period ended September

30, 2004 and is at risk of losing current federal grant funds and the potential to lose future federal grant funds. This is a repeat finding from the prior year.

Town Response

The Town's report was delayed for the reasons described in the Town's response to the first auditor comment. The Town anticipates full compliance with all reporting requirements next year.

Auditor Comment

The Town has accumulated significant reserves in its internal service funds. These reserves have been increasing each year as charges to the departments include excess amounts for future repair and replacement of Town assets and potential future claims against the Town. However, the Town does not have a policy with regard to how much to accumulate or for what projects the reserves will be used. This is a repeat finding from the prior year.

Town Response

The two internal service funds which have built up sizable reserves are the Vehicle Maintenance Fund and the Self Insurance Fund. Although no written policy exists, these funds have been reviewed by the Town and an approved course of action is being taken. The Town's adopted five year capital project plan included a Public Works Compound Expansion project with over \$1 million approved and funded during the year from existing Vehicle Maintenance Fund reserves. The Town Council approved the Town's switching back to a self insured plan for employee health insurance coverage and joining a local government risk pool, a decision based in part on the availability of reserves in the Self Insurance Fund. Therefore, it is important that the Town maintain an adequate reserve in this fund.